
**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): October 31, 2022

Sun Country Airlines Holdings, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State of
Incorporation)

001-40217
(Commission
File Number)

82-4092570
(I.R.S. Employer
Identification No.)

2005 Cargo Road

Minneapolis, Minnesota
(Address of principal executive offices)

55450
(Zip Code)

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

(Former Name or Former Address, if Changed Since Last Report)

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))

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

| Title of each class | Trading Symbol(s) | 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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 2.02 Results of Operations and Financial Condition.

On November 1, 2022, Sun Country Airlines Holdings, Inc. issued a press release announcing its financial results for the fiscal quarter ended September 30, 2022. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The information contained in this Item 2.02, including Exhibit 99.1 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended, regardless of any general incorporation language in such filings, unless expressly incorporated by specific reference in such filing.

Item 8.01 Other Events.

On October 31, 2022, the Company’s Board of Directors authorized a stock repurchase program pursuant to which the Company may purchase up to \$50.0 million of its Common Stock, \$0.01 par value per share (“Common Stock”). The Company may purchase shares of its Common Stock on a discretionary basis from time-to-time through open market repurchases, privately negotiated transactions, or other means, including through Rule 10b5-1 trading plans. The Company’s intent in the near term is to enter into a \$25.0 million Accelerated Share Repurchase (“ASR”) agreement with our brokering bank to allow the rapid retirement of acquired shares of Common Stock. Whether any repurchases are made, and the timing and actual number of any shares repurchased, will be determined by management depending on a variety of factors, including stock price, trading volume, market conditions and other general business considerations. The stock repurchase program has no expiration date and may be modified, suspended, or terminated at any time. Any repurchases made under this program will be funded from the Company’s existing cash flows, or future cash flows. The Company has been advised by SCA Horus Holdings, LLC, which is an affiliate of certain investment funds managed by affiliates of Apollo Global Management, Inc., that it does not intend to sell any shares of Common Stock to the Company in connection with the Company’s stock repurchase program.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit No. | Description |
|----------------------|---|
| 99.1 | Press release, dated November 1, 2022 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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 thereunto duly authorized.

Date: November 1, 2022

Sun Country Airlines Holdings, Inc.

By: /s/ Erin Rose Neale

Name: Erin Rose Neale

Title: Senior Vice President, General Counsel and Secretary

Sun Country Airlines Reports Third Quarter 2022 Results

Q3 2022 GAAP diluted EPS of \$0.18 and operating income of \$15 million

 Q3 2022 Adjusted diluted EPS of \$0.12⁽¹⁾ and adjusted operating income of \$16 million⁽¹⁾

MINNEAPOLIS, November 1, 2022. Sun Country Airlines Holdings, Inc. (“Sun Country Airlines,” “Sun Country,” the “Company”) (NASDAQ: SNCY) today reported financial results for its third quarter ended September 30, 2022.

“The leisure demand environment remains very strong, as our third quarter scheduled service unit revenue increased 39% versus third quarter 2021,” said Jude Bricker, Chief Executive Officer of Sun Country. “Despite fuel prices that were higher than expected and the impact of Hurricane Ian on our Florida operations, we produced a GAAP operating margin of 6.9% and an adjusted operating income margin of 7.2%⁽¹⁾. Our business model continues to demonstrate its inherent resiliency. Even with fuel prices 83% higher than last year and staffing-driven constraints on our capacity, we generated a year-to-date GAAP and adjusted operating income margin of 6%⁽¹⁾.”

Overview of Third Quarter

| (unaudited) (in millions, except per share amounts) | Three Months Ended September 30, | | % Change |
|---|----------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | |
| Total Operating Revenue | \$ 221.7 | \$ 173.7 | 27.7 |
| Operating Income | 15.4 | 21.3 | (27.8) |
| Income Before Income Tax | 12.9 | 15.5 | (16.7) |
| Net Income | 10.7 | 13.4 | (20.2) |
| Diluted earnings per share | \$ 0.18 | \$ 0.22 | (18.2) |

| (unaudited) (in millions, except per share amounts) | Three Months Ended September 30, | | % Change |
|---|----------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | |
| Adjusted Operating Income ⁽¹⁾ | \$ 15.9 | \$ 22.2 | (28.6) |
| Adjusted Income Before Income Tax ⁽¹⁾ | 9.7 | 16.0 | (39.4) |
| Adjusted Net Income ⁽¹⁾ | 7.4 | 13.5 | (45.2) |
| Adjusted diluted earnings per share ⁽¹⁾ | \$ 0.12 | \$ 0.22 | (45.5) |

| (unaudited) (in millions, except per share amounts) | Nine Months Ended September 30, | | % Change |
|---|---------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | |
| Total Operating Revenue | \$ 667.3 | \$ 450.5 | 48.1 |
| Operating Income | 40.6 | 101.7 | (60.1) |
| Income Before Income Tax | 14.5 | 100.8 | (85.6) |
| Net Income | 10.4 | 82.3 | (87.4) |
| Diluted earnings per share | \$ 0.17 | \$ 1.40 | (87.9) |

| (unaudited) (in millions, except per share amounts) | Nine Months Ended September 30, | | % Change |
|---|---------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | |
| Adjusted Operating Income ⁽¹⁾ | \$ 42.6 | \$ 34.2 | 24.5 |
| Adjusted Income Before Income Tax ⁽¹⁾ | 22.7 | 16.0 | 41.9 |
| Adjusted Net Income ⁽¹⁾ | 17.9 | 12.5 | 43.2 |
| Adjusted diluted earnings per share ⁽¹⁾ | \$ 0.29 | \$ 0.21 | 38.1 |

For the quarter ended September 30, 2022, Sun Country reported net income of \$11 million and income before income tax of \$13 million, on \$222 million of revenue. Adjusted income before income tax for the quarter was \$10 million⁽¹⁾. GAAP operating income during the quarter was \$15 million, producing an operating margin of 6.9%, while adjusted operating income was \$16 million⁽¹⁾, resulting in an adjusted operating income margin of 7.2%⁽¹⁾.

“Unit revenue has continued to strengthen throughout the quarter,” said Dave Davis, President and Chief Financial Officer. “Scheduled service TRASM⁽³⁾ increased 39% year over year and 46% versus the third quarter of 2019 while TRASM⁽²⁾, including charter revenue, increased 32% year over year and 38% versus third quarter 2019. We continue to make significant progress in expanding our pilot training pipeline and have hired 91 pilots in 2022, a 20% increase in the number of pilots at Sun Country. While we have seen substantial improvement in our training throughput, we still have work to do to generate the pilots that we need to support our growth plans. In the third quarter, we were smaller than we would like to be, putting pressure on unit costs. As we increase utilization closer to historical levels in 2023, we anticipate these pressures to ease. Third quarter performance was also impacted by Hurricane Ian, which reduced total revenue by an estimated \$1 million.”

Notable Highlights

- Sun Country's board of directors has authorized management to repurchase up to \$50 million worth of SNCY shares. The Company's intent in the near term is to enter into a \$25 million Accelerated Share Repurchase (ASR) agreement with our brokering bank to allow the rapid retirement of acquired shares.
- Announced service to Destin-Fort Walton Beach, the 11th nonstop destination in Florida, from Minneapolis beginning in February 2023 and Melbourne, the 12th nonstop destination in Florida beginning in February 2023.
- Announced the expansion of service to Orlando, Florida from Eau Claire, Green Bay, and Madison, Wisconsin beginning in April 2023.

Capacity

System block hours flown during the third quarter of 2022 grew by 2% year over year. Training issues still challenged growth in our scheduled service flying with scheduled service block hours declining 2% year over year. Both cargo and charter block hours grew 2% and 21% respectively year over year.

Charter block hours under long-term contracts continue to remain the bulk of the charter flying performed in the third quarter. This comprised 80% of total charter flying versus 92% in the second quarter of 2022. As the Company begins to normalize its aircraft utilization, it should be able to pursue more ad-hoc charter flying.

Revenue

For the third quarter of 2022, the Company reported total revenue of \$222 million, which was 28% more than the third quarter of 2021. The Company's scheduled service TRASM⁽³⁾ of 12.3 cents in the third quarter of 2022 increased 39% year over year while scheduled service ASMs decreased 3%. The third quarter 2022 total fare of \$168 exceeded third quarter 2021 by 16% and included strong ancillary revenue per passenger of \$55.

Charter service revenue is primarily generated through service provided to collegiate and professional sports teams, the U.S. Department of Defense, casinos, and other customers. In the third quarter of 2022, the Company's charter service revenue was \$43 million, an increase of 27% year over year. On a rate basis, third quarter 2022 charter revenue per block hour was 5% higher than the rate in the third quarter of 2021.

Cargo revenue consists of revenue earned from flying cargo aircraft under the Air Transportation Services Agreement (“ATSA”) with Amazon. In the third quarter of 2022, cargo revenue was \$24 million, a 3% decrease versus the third quarter of 2021. The variance was primarily driven by a revenue benefit recognized in the prior year, slightly offset by a 2% increase in block hours.

Cost

For the third quarter of 2022, total GAAP operating expenses increased 35% year over year, primarily due to a 77% increase in aircraft fuel expense in the quarter. Adjusted CASM⁽¹⁾ in the third quarter increased 18% versus the third quarter 2021 on flat total ASMs and a decrease in daily aircraft utilization of 9% for the same period. Third quarter 2022 was also impacted by the new pilot agreement that was signed at the end of 2021.

Balance Sheet and Liquidity

Total liquidity⁽⁶⁾ was \$285 million on September 30, 2022, while the Company's net debt⁽⁵⁾ was \$393 million.

| (in millions) | September 30, 2022 | | December 31, 2021 | |
|--|--------------------|-------|-------------------|-------|
| | (Unaudited) | | | |
| Cash and Cash Equivalents | \$ | 131.9 | \$ | 309.3 |
| Available-for-Sale Securities | | 128.6 | | — |
| Amount Available Under Revolving Credit Facility | | 24.7 | | 25.0 |
| Total Liquidity | \$ | 285.2 | \$ | 334.3 |

| (in millions) | September 30, 2022 | | December 31, 2021 | |
|----------------------------------|--------------------|-------|-------------------|-------|
| | (Unaudited) | | | |
| Long-term Debt | \$ | 370.2 | \$ | 277.4 |
| Finance Lease Obligations | | 255.1 | | 192.2 |
| Operating Lease Obligations | | 27.8 | | 76.0 |
| Total Debt and Lease Obligations | | 653.1 | | 545.6 |
| Cash and Cash Equivalents | | 131.9 | | 309.3 |
| Available-for-Sale Securities | | 128.6 | | — |
| Net Debt | \$ | 392.6 | \$ | 236.3 |

Fleet

As of September 30, 2022, the Company had 42 aircraft in its passenger service fleet, and operated 12 freighter aircraft in its cargo operation.

Guidance for Fourth Quarter 2022

| | Q4 2022 | H/(L) vs Q4 2021 |
|--------------------------------------|----------------|------------------|
| Total revenue - millions | \$220 to \$230 | 27% to 33% |
| Economic fuel cost per gallon | \$3.75 | |
| Operating income margin - percentage | 4% to 8% | |
| Effective tax rate | 23% | |
| Total system block hours - thousands | 32 to 33 | 9% to 12% |

Conference Call & Webcast Details

Sun Country Airlines will host a conference call to discuss its third quarter 2022 results at 4:30 p.m. Eastern Time on Tuesday, November 1, 2022. A live broadcast of the conference call will be available via the investor relations section of Sun Country Airlines' website at <https://ir.suncountry.com/news-events/events-and-presentations>. The online replay will be available on the same website approximately one hour after the call. The conference call can also be listened to live by accessing <https://register.vevent.com/register/BI679d9e5501af453b94af349d8dfc9784>.

About Sun Country Airlines

Sun Country Airlines is a new breed of hybrid low-cost air carrier that dynamically deploys shared resources across our synergistic scheduled service, charter and cargo businesses. Based in Minnesota, we focus on serving leisure and visiting friends and relatives ("VFR") passengers and charter customers and providing cargo CMI services, with flights throughout the United States and to destinations in Mexico, Central America, Canada, and the Caribbean.

End Notes

- 1 - See additional details in the tables below in the section titled "Non-GAAP financial measures"
- 2 - Total system TRASM = total revenue – cargo revenue / system ASMs
- 3 - Scheduled service TRASM = scheduled service revenue + ancillary revenue + other revenue / scheduled service ASMs
- 4 - Adjusted CASM is a non-GAAP measure derived from CASM by excluding fuel costs, Special Items, non-cash management stock compensation expense, costs arising from its cargo operations (began in 2020 when the Company launched cargo operations), certain commissions, and other costs of selling its vacations product from this measure. See table titled "Reconciliation of Adjusted CASM to CASM"
- 5 - Net debt = current portion of long-term debt + long-term debt + finance lease obligations + operating lease obligations – cash and cash equivalents - Available-for-Sale Securities
- 6 - Total liquidity = cash and cash equivalents + available-for-sale securities + amount available under revolver
- 7 - Certain prior period amounts have been revised to correct an immaterial change related to the application of the Company's accounting for its aircraft transactions, as reflected in our Quarterly Report on Form 10-Q.

Contacts

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Forward Looking Statements

This press release contains forward-looking statements, which involve risks and uncertainties. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “likely,” “may,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” and, in each case, their negative or other various or comparable terminology. All statements other than statements of historical facts contained in this press release, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management, and expected market growth are forward-looking statements. The forward-looking statements are relating to:

- our strategy, outlook and growth prospects;
- our operational and financial targets and dividend policy;
- general economic trends and trends in the industry and markets;
- potential repurchases of our common stock; and
- the competitive environment in which we operate.

These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

These forward-looking statements reflect our views with respect to future events as of the date of this press release and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this press release and, except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this press release. We anticipate that subsequent events and developments will cause our views to change. You should read this press release completely and with the understanding that our actual future results may be materially different from what we expect. Our forward-looking statements do not reflect the potential impact of any future acquisitions, merger, dispositions, joint ventures, or investments we may undertake. We qualify all of our forward-looking statements by these cautionary statements. 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 Reports on Form 10-K, Quarterly Report on Form 10-Q, and Current Reports on Form 8-K.

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 document to the most directly comparable GAAP financial measures.

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

| | Three Months Ended September 30, | | |
|--|----------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | % Change |
| Operating Revenues: | | | |
| Scheduled Service | \$ 102,200 | \$ 80,212 | 27.4 |
| Charter Service | 42,899 | 33,809 | 26.9 |
| Ancillary | 50,261 | 33,697 | 49.2 |
| Passenger | 195,360 | 147,718 | 32.3 |
| Cargo | 23,687 | 24,400 | (2.9) |
| Other | 2,653 | 1,545 | 71.7 |
| Total Operating Revenue | 221,700 | 173,663 | 27.7 |
| Operating Expenses: | | | |
| Aircraft Fuel | 64,843 | 36,647 | 76.9 |
| Salaries, Wages, and Benefits | 58,661 | 43,424 | 35.1 |
| Aircraft Rent | 1,949 | 3,925 | (50.3) |
| Maintenance | 11,018 | 9,660 | 14.1 |
| Sales and Marketing | 6,827 | 5,470 | 24.8 |
| Depreciation and Amortization | 17,181 | 14,710 | 16.8 |
| Ground Handling | 8,669 | 7,873 | 10.1 |
| Landing Fees and Airport Rent | 12,926 | 12,069 | 7.1 |
| Special Items, net | — | (65) | (100.0) |
| Other Operating, net | 24,235 | 18,629 | 30.1 |
| Total Operating Expenses | 206,309 | 152,342 | 35.4 |
| Operating Income | 15,391 | 21,321 | (27.8) |
| Non-operating Income (Expense): | | | |
| Interest Income | 1,610 | 28 | NM |
| Interest Expense | (7,493) | (6,286) | 19.2 |
| Other, net | 3,422 | 456 | NM |
| Total Non-operating Expense, net | (2,461) | (5,802) | (57.6) |
| Income before Income Tax | 12,930 | 15,519 | (16.7) |
| Income Tax Expense | 2,253 | 2,140 | 5.3 |
| Net Income | \$ 10,677 | \$ 13,379 | (20.2) |
| Net Income per share to common stockholders: | | | |
| Basic | \$ 0.18 | \$ 0.23 | (21.7) |
| Diluted | \$ 0.18 | \$ 0.22 | (18.2) |
| Shares used for computation: | | | |
| Basic | 58,146,606 | 57,355,104 | 1.4 |
| Diluted | 60,793,516 | 61,712,378 | (1.5) |

"NM" stands for not meaningful

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

| | Nine Months Ended September 30, | | |
|--|---------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | % Change |
| Operating Revenues: | | | |
| Scheduled Service | \$ 334,679 | \$ 201,905 | 65.8 |
| Charter Service | 118,526 | 88,511 | 33.9 |
| Ancillary | 139,548 | 86,626 | 61.1 |
| Passenger | 592,753 | 377,042 | 57.2 |
| Cargo | 65,930 | 68,084 | (3.2) |
| Other | 8,607 | 5,338 | 61.2 |
| Total Operating Revenue | 667,290 | 450,464 | 48.1 |
| Operating Expenses: | | | |
| Aircraft Fuel | 206,334 | 90,631 | 127.7 |
| Salaries, Wages, and Benefits | 178,576 | 129,815 | 37.6 |
| Aircraft Rent | 7,347 | 13,339 | (44.9) |
| Maintenance | 35,794 | 30,170 | 18.6 |
| Sales and Marketing | 23,336 | 16,402 | 42.3 |
| Depreciation and Amortization | 49,364 | 41,532 | 18.9 |
| Ground Handling | 24,838 | 19,654 | 26.4 |
| Landing Fees and Airport Rent | 32,708 | 29,606 | 10.5 |
| Special Items, net | — | (72,419) | (100.0) |
| Other Operating, net | 68,401 | 50,026 | 36.7 |
| Total Operating Expenses | 626,698 | 348,756 | 79.7 |
| Operating Income | 40,592 | 101,708 | (60.1) |
| Non-operating Income (Expense): | | | |
| Interest Income | 2,166 | 52 | NM |
| Interest Expense | (23,097) | (19,487) | 18.5 |
| Other, net | (5,156) | 18,505 | NM |
| Total Non-operating Expense, net | (26,087) | (930) | NM |
| Income before Income Tax | 14,505 | 100,778 | (85.6) |
| Income Tax Expense | 4,113 | 18,444 | (77.7) |
| Net Income | \$ 10,392 | \$ 82,334 | (87.4) |
| Net Income per share to common stockholders: | | | |
| Basic | \$ 0.18 | \$ 1.51 | (88.1) |
| Diluted | \$ 0.17 | \$ 1.40 | (87.9) |
| Shares used for computation: | | | |
| Basic | 58,039,201 | 54,368,231 | 6.8 |
| Diluted | 61,372,735 | 58,699,991 | 4.6 |

"NM" stands for not meaningful

KEY OPERATING STATISTICS

The following table presents key operating statistics and metrics for the three and nine months ended September 30, 2022 and 2021.

| | Three Months Ended September 30, | | |
|--|----------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | % Change |
| Scheduled Service Statistics: | | | |
| Revenue passenger miles (RPMs) – thousands | 1,101,011 | 1,011,936 | 8.8 |
| Available seat miles (ASMs) – thousands | 1,256,755 | 1,296,555 | (3.1) |
| Load factor | 87.6% | 78.0% | 9.6 |
| Revenue passengers carried | 908,967 | 785,348 | 15.7 |
| Departures | 5,611 | 5,533 | 1.4 |
| Block hours | 16,947 | 17,313 | (2.1) |
| Scheduled service TRASM ⁽¹⁾ - cents | 12.34 | 8.90 | 38.7 |
| Average base fare per passenger | \$ 112.44 | \$ 102.14 | 10.1 |
| Ancillary revenue per passenger | \$ 55.29 | \$ 42.91 | 28.9 |
| Fuel gallons - thousands | 13,352 | 13,475 | (0.9) |
| Charter Statistics: | | | |
| Departures | 2,359 | 1,798 | 31.2 |
| Block hours | 4,623 | 3,835 | 20.5 |
| Available seats miles (ASMs) - thousands | 286,189 | 244,393 | 17.1 |
| Fuel gallons - thousands | 3,056 | 2,760 | 10.7 |
| Cargo Statistics: | | | |
| Departures | 3,043 | 2,912 | 4.5 |
| Block hours | 8,739 | 8,533 | 2.4 |
| Total System Statistics: | | | |
| Average passenger aircraft | 36.8 | 32.9 | 11.9 |
| Passenger aircraft – end of period | 42 | 35 | 20.0 |
| Cargo aircraft – end of period | 12 | 12 | — |
| Available seat miles (ASMs) – thousands | 1,553,483 | 1,549,432 | 0.3 |
| Departures | 11,072 | 10,299 | 7.5 |
| Block hours | 30,492 | 29,842 | 2.2 |
| Daily utilization – hours | 6.4 | 7.0 | (8.6) |
| Average stage length – miles | 1,055 | 1,155 | (8.7) |
| Total revenue per ASM (TRASM) ⁽²⁾ - cents | 12.75 | 9.63 | 32.4 |
| Cost per ASM (CASM) - cents | 13.28 | 9.83 | 35.1 |
| Adjusted CASM - cents | 7.55 | 6.39 | 18.2 |
| Fuel gallons - thousands | 16,509 | 16,321 | 1.2 |
| Fuel cost per gallon, excluding derivatives | \$ 3.93 | \$ 2.24 | 75.4 |
| Employees at end of period | 2,354 | 2,014 | 16.9 |

1 – Scheduled service TRASM = scheduled service revenue + ancillary revenue + other revenue / scheduled service ASMs

2 – Total system TRASM = total revenue – cargo revenue / system ASMs

KEY OPERATING STATISTICS

| | Nine Months Ended September 30, | | % Change |
|--|---------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | |
| Scheduled Service Statistics: | | | |
| Revenue passenger miles (RPMs) – thousands | 3,565,501 | 2,705,969 | 31.8 |
| Available seat miles (ASMs) – thousands | 4,284,403 | 3,653,335 | 17.3 |
| Load factor | 83.2% | 74.1% | 9.1 |
| Revenue passengers carried | 2,715,707 | 2,038,399 | 33.2 |
| Departures | 17,512 | 14,777 | 18.5 |
| Block hours | 57,585 | 48,420 | 18.9 |
| Scheduled service TRASM ⁽¹⁾ - cents | 11.27 | 8.04 | 40.2 |
| Average base fare per passenger | \$ 123.24 | \$ 99.05 | 24.4 |
| Ancillary revenue per passenger | \$ 51.39 | \$ 42.50 | 20.9 |
| Fuel gallons - thousands | 44,940 | 37,299 | 20.5 |
| Charter Statistics: | | | |
| Departures | 6,214 | 5,036 | 23.4 |
| Block hours | 13,000 | 10,822 | 20.1 |
| Available seats miles (ASMs) - thousands | 800,698 | 693,837 | 15.4 |
| Fuel gallons - thousands | 9,085 | 7,739 | 17.4 |
| Cargo Statistics: | | | |
| Departures | 8,310 | 8,229 | 1.0 |
| Block hours | 23,891 | 24,973 | (4.3) |
| Total System Statistics: | | | |
| Average passenger aircraft | 35.2 | 31.7 | 11.0 |
| Passenger aircraft – end of period | 42 | 35 | 20.0 |
| Cargo aircraft – end of period | 12 | 12 | — |
| Available seat miles (ASMs) – thousands | 5,114,134 | 4,368,972 | 17.1 |
| Departures | 32,246 | 28,196 | 14.4 |
| Block hours | 95,052 | 84,648 | 12.3 |
| Daily utilization – hours | 7.4 | 6.9 | 7.2 |
| Average stage length – miles | 1,169 | 1,199 | (2.5) |
| Total revenue per ASM (TRASM) ⁽²⁾ - cents | 11.76 | 8.75 | 34.4 |
| Cost per ASM (CASM) - cents | 12.25 | 7.98 | 53.5 |
| Adjusted CASM - cents | 6.91 | 6.32 | 9.3 |
| Fuel gallons - thousands | 54,322 | 45,269 | 20.0 |
| Fuel cost per gallon, excluding derivatives | \$ 3.81 | \$ 2.08 | 83.2 |
| Employees at end of period | 2,354 | 2,014 | 16.9 |

1 – Scheduled service TRASM = scheduled service revenue + ancillary revenue + other revenue / scheduled service ASMs

2 – Total system TRASM = total revenue – cargo revenue / system ASMs

SUMMARY BALANCE SHEET
(Dollars in millions)
(amounts may not recalculate due to rounding)

| | September 30, 2022 | December 31, 2021 ⁽⁷⁾ | % Change |
|---|--------------------|----------------------------------|---------------|
| | (Unaudited) | | |
| Cash & Cash Equivalents | \$ 131.9 | \$ 309.3 | (57.4) |
| Other Current Assets | 205.8 | 66.1 | 211.4 |
| Total Current Assets | 337.7 | 375.4 | (10.0) |
| Total Property & Equipment, net | 788.9 | 578.5 | 36.4 |
| Other | 394.8 | 426.5 | (7.4) |
| Total Assets | 1,521.4 | 1,380.4 | 10.2 |
| Air Traffic Liabilities | 132.8 | 118.6 | 12.0 |
| Current Finance Lease Obligations | 17.5 | 11.7 | 49.6 |
| Current Operating Lease Obligations | 6.3 | 17.2 | (63.4) |
| Current Maturities of Long-Term Debt | 45.5 | 29.4 | 54.8 |
| Other Current Liabilities | 118.6 | 104.7 | 13.3 |
| Total Current Liabilities | 320.7 | 281.7 | 13.9 |
| Finance Lease Obligations | 237.6 | 180.5 | 31.7 |
| Operating Lease Obligations | 21.5 | 58.8 | (63.4) |
| Long-Term Debt | 324.7 | 248.0 | 30.9 |
| Income Tax Receivable Agreement Liability | 101.5 | 98.8 | 2.8 |
| Other | 7.4 | 22.1 | (66.5) |
| Total Liabilities | 1,013.4 | 889.8 | 13.9 |
| Total Stockholders Equity | \$ 508.0 | \$ 490.6 | 3.6 |

SUMMARY CASH FLOW

(Dollars in millions)

(Unaudited - amounts may not recalculate due to rounding)

| | Nine Months Ended September 30, | | |
|--|---------------------------------|---------------------|----------|
| | 2022 | 2021 ⁽⁷⁾ | % Change |
| Net Cash Provided by Operating Activities | \$ 71.7 | \$ 116.4 | (38.4) |
| Purchases of Property & Equipment | (177.7) | (118.0) | 50.5 |
| Other | (120.0) | (0.4) | NM |
| Net Cash Used in Investing Activities | (297.6) | (118.4) | 151.4 |
| Cash Received from Stock Offering | — | 235.9 | (100.0) |
| Proceeds from Borrowing | 188.3 | 80.5 | 133.9 |
| Repayment of Finance Lease Obligations | (37.8) | (9.1) | 315.3 |
| Repayment of Borrowings | (95.3) | (75.7) | 25.9 |
| Other | (0.9) | (8.9) | (90.2) |
| Net Cash Provided by Financing Activities | 54.2 | 222.7 | (75.6) |
| Net Increase (Decrease) in Cash | (171.7) | 220.7 | (177.8) |
| Cash, Cash Equivalents and Restricted Cash – Beginning of the Period | 317.8 | 70.4 | 351.6 |
| Cash, Cash Equivalents and Restricted Cash – End of the Period | \$ 146.1 | \$ 291.0 | (49.8) |

"NM" stands for not meaningful

Calculation of Special Items

Dollars in millions – Unaudited - amounts may not recalculate due to rounding

The following tables lists the items that are included as Special Items, net.

| | Three Months Ended September 30, | |
|--|----------------------------------|----------|
| | 2022 | 2021 |
| CARES Act employee retention credit ⁽¹⁾ | \$ — | \$ (0.1) |
| Total Special Items, net | \$ — | \$ (0.1) |

| | Nine Months Ended September 30, | |
|---|---------------------------------|---------------------|
| | 2022 | 2021 ⁽⁷⁾ |
| CARES Act employee grant recognition ⁽²⁾ | \$ — | \$ (71.6) |
| CARES Act employee retention credit ⁽¹⁾ | — | (0.8) |
| Total Special Items, net | \$ — | \$ (72.4) |

(1) Relates to a credit recognized under the CARES Act Employee Retention credit which is a refundable tax credit against certain employee taxes

(2) In the first half of 2021, the United States Department of the Treasury awarded the Company a grant of \$71.6 under the Payroll Support Program ("PSP2") under the Consolidated Appropriations Act, 2021

NON-GAAP FINANCIAL MEASURES

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Income Before Income Tax, Adjusted Pre-tax Margin, Adjusted Net Income , Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Income Before Income Tax, Adjusted Pre-tax Margin, Adjusted Net Income, Adjusted Net Income per share, Adjusted EBITDA and Adjusted EBITDA Margin 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 and facilitate comparisons among current, past and future periods. We believe that while items excluded from Adjusted EBITDA and Adjusted EBITDA Margin may be recurring in nature and should not be disregarded in evaluation of our earnings performance, Adjusted EBITDA and Adjusted EBITDA Margin is useful because its calculation isolates the effects of financing in general, the accounting effects of capital spending and acquisitions (primarily aircraft, which may be acquired directly, directly subject to acquisition debt, by finance lease or by operating lease, each of which is presented differently for accounting purposes), and income taxes, which may vary significantly between periods and for different companies for reasons unrelated to overall operating performance.

The presented non-GAAP measures have limitations as analytic tools, such as: these measures 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 measures differently than we do, limiting each measure's usefulness as a comparative measure. Because of these limitations, these non-GAAP measures should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. Accordingly, you are cautioned not to place undue reliance on this information. We encourage investors to review our financial statements and other filings with the Securities and Exchange Commission in their entirety and not to rely on any single financial measure.

Reconciliation of GAAP Operating Income to Adjusted Operating Income
Dollars in millions – Unaudited - amounts may not recalculate due to rounding

The following table presents the reconciliation of GAAP operating income to adjusted operating income.

| | Three Months Ended September 30, | |
|-----------------------------------|----------------------------------|---------------------|
| | 2022 | 2021 ⁽⁷⁾ |
| Operating Revenue | \$ 221.7 | \$ 173.7 |
| Operating Income | 15.4 | 21.3 |
| Special Items, net ⁽¹⁾ | — | (0.1) |
| Stock compensation expense | 0.5 | 1.0 |
| Adjusted Operating Income | <u>\$ 15.9</u> | <u>\$ 22.2</u> |
| Operating Income Margin | 6.9 % | 12.3 % |
| Adjusted Operating Income Margin | 7.2 % | 12.8 % |

| | Nine Months Ended September 30, | |
|---|---------------------------------|---------------------|
| | 2022 | 2021 ⁽⁷⁾ |
| Operating Revenue | \$ 667.3 | \$ 450.5 |
| Operating Income | 40.6 | 101.7 |
| Special Items, net ⁽¹⁾ | — | (72.4) |
| Stock compensation expense | 2.0 | 4.6 |
| Tax Receivable Agreement expense ⁽²⁾ | — | 0.3 |
| Adjusted Operating Income | <u>\$ 42.6</u> | <u>\$ 34.2</u> |
| Operating Income Margin | 6.1 % | 22.6 % |
| Adjusted Operating Income Margin | 6.4 % | 7.6 % |

(1) See special items table above for more details

(2) This represents the one-time costs to establish the Tax Receivable Agreement ("TRA") liability with our pre-IPO stockholders

Reconciliation of GAAP Income Before Income Tax to Adjusted Income Before Income Tax
Dollars in millions – Unaudited - amounts may not recalculate due to rounding

The following table presents the reconciliation of GAAP income before income tax to adjusted income before income tax.

| | Three Months Ended September 30, | |
|--|----------------------------------|---------------------|
| | 2022 | 2021 ⁽⁷⁾ |
| Net Income | \$ 10.7 | \$ 13.4 |
| Add: Provision for Income Tax Expense | 2.3 | 2.1 |
| Income Before Income Tax, as reported | 12.9 | 15.5 |
| Pre-tax margin | 5.8 % | 8.9 % |
| Special Items, net ⁽¹⁾ | — | (0.1) |
| Stock compensation expense | 0.5 | 1.0 |
| Secondary offering expense | — | 0.6 |
| Gain on asset transactions, net | (0.2) | — |
| Tax Receivable Agreement adjustment ⁽³⁾ | (3.5) | (1.1) |
| Adjusted Income Before Income Tax | <u>\$ 9.7</u> | <u>\$ 16.0</u> |
| Adjusted Pre-tax margin | 4.4 % | 9.2 % |

| | Nine Months Ended September 30, | |
|--|---------------------------------|---------------------|
| | 2022 | 2021 ⁽⁷⁾ |
| Net Income | \$ 10.4 | \$ 82.3 |
| Add: Provision for Income Tax Expense | 4.1 | 18.4 |
| Income Before Income Tax, as reported | 14.5 | 100.8 |
| Pre-tax margin | 2.2 % | 22.4 % |
| Special Items, net ⁽¹⁾ | — | (72.4) |
| Stock compensation expense | 2.0 | 4.6 |
| Secondary offering expense | — | 1.3 |
| Gain on asset transactions, net | (0.3) | — |
| Early pay-off of US Treasury loan | — | 0.8 |
| Tax Receivable Agreement expense ⁽²⁾ | — | 0.3 |
| Tax Receivable Agreement adjustment ⁽³⁾ | 5.0 | (19.8) |
| Loss on refinancing credit facility | 1.6 | 0.4 |
| Adjusted Income Before Income Tax | <u>\$ 22.7</u> | <u>\$ 16.0</u> |
| Adjusted Pre-tax margin | 3.4 % | 3.5 % |

(1) See special items table above for more details

(2) This represents the one-time costs to establish the TRA liability with our pre-IPO stockholders

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

Reconciliation of GAAP Net Income and Earnings per Share to Adjusted Net Income and Adjusted Earnings per Share
Dollars and shares in millions, except for per share – Unaudited - amounts may not recalculate due to rounding

The following table presents the reconciliation of GAAP net income and earnings per share to adjusted net income and adjusted earnings per share.

| | Three Months Ended September 30, | | | |
|--|----------------------------------|---------------------|---------------------|---------------------|
| | 2022 | | 2021 ⁽⁷⁾ | |
| | Dollars | Per Share - diluted | Dollars | Per Share - diluted |
| Net Income | \$ 10.7 | \$ 0.18 | \$ 13.4 | \$ 0.22 |
| Special Items, net ⁽¹⁾ | — | — | (0.1) | — |
| Stock Compensation Expense | 0.5 | 0.01 | 1.0 | 0.02 |
| Secondary offering expense | — | — | 0.6 | 0.01 |
| Gain on asset transactions, net | (0.2) | — | — | — |
| Tax Receivable Agreement adjustment ⁽³⁾ | (3.5) | (0.06) | (1.1) | (0.02) |
| Income tax effect of adjusting items, net ⁽⁴⁾ | (0.1) | — | (0.4) | (0.01) |
| Adjusted Net Income | \$ 7.4 | \$ 0.12 | \$ 13.5 | \$ 0.22 |
| Diluted share count | 60.8 | | 61.7 | |

| | Nine Months Ended September 30, | | | |
|--|---------------------------------|---------------------|---------------------|---------------------|
| | 2022 | | 2021 ⁽⁷⁾ | |
| | Dollars | Per Share - diluted | Dollars | Per Share - diluted |
| Net Income | \$ 10.4 | \$ 0.17 | \$ 82.3 | \$ 1.40 |
| Special Items, net ⁽¹⁾ | — | — | (72.4) | (1.23) |
| Stock Compensation Expense | 2.0 | 0.03 | 4.6 | 0.08 |
| Secondary offering expense | — | — | 1.3 | 0.02 |
| Gain on asset transactions, net | (0.3) | (0.01) | — | — |
| Early pay-off of US Treasury loan | — | — | 0.8 | 0.01 |
| Tax Receivable Agreement expense ⁽²⁾ | — | — | 0.3 | 0.01 |
| Tax Receivable Agreement adjustment ⁽³⁾ | 5.0 | 0.08 | (19.8) | (0.34) |
| Loss on refinancing credit facility | 1.6 | 0.03 | 0.4 | 0.01 |
| Income tax effect of adjusting items, net ⁽⁴⁾ | (0.7) | (0.01) | 14.9 | 0.25 |
| Adjusted Net Income | \$ 17.9 | \$ 0.29 | \$ 12.5 | \$ 0.21 |
| Diluted share count | 61.4 | | 58.7 | |

(1) See special items table above for more details

(2) This represents the one-time costs to establish the TRA liability with our pre-IPO stockholders

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

(4) The tax effect of adjusting items, net is calculated at the Company's statutory rate for the application period

Reconciliation of GAAP Net Income to Adjusted EBITDA

Dollars in millions – Unaudited - amounts may not recalculate due to rounding

The following tables present the reconciliation of net income to adjusted EBITDA for the periods presented below.

| | Three Months Ended September 30, | |
|--|----------------------------------|---------------------|
| | 2022 | 2021 ⁽⁷⁾ |
| Net Income | \$ 10.7 | \$ 13.4 |
| Special Items, net ⁽¹⁾ | — | (0.1) |
| Interest Income | (1.6) | — |
| Interest Expense | 7.5 | 6.3 |
| Stock Compensation Expense | 0.5 | 1.0 |
| Gain on asset transactions, net | (0.2) | — |
| Secondary offering expense | — | 0.6 |
| Tax Receivable Agreement adjustment ⁽³⁾ | (3.5) | (1.1) |
| Provision for Income Taxes | 2.3 | 2.1 |
| Depreciation and Amortization | 17.2 | 14.7 |
| Adjusted EBITDA | \$ 32.7 | \$ 37.0 |
| Adjusted EBITDA margin | 14.8 % | 21.3 % |

| | Nine Months Ended September 30, | |
|--|---------------------------------|---------------------|
| | 2022 | 2021 ⁽⁷⁾ |
| Net Income | \$ 10.4 | \$ 82.3 |
| Special Items, net ⁽¹⁾ | — | (72.4) |
| Interest Income | (2.2) | (0.1) |
| Interest Expense | 23.1 | 19.5 |
| Stock Compensation Expense | 2.0 | 4.6 |
| Gain on asset transactions, net | (0.3) | — |
| Secondary offering expense | — | 1.3 |
| Tax Receivable Agreement expense ⁽²⁾ | — | 0.3 |
| Tax Receivable Agreement adjustment ⁽³⁾ | 5.0 | (19.8) |
| Provision for Income Taxes | 4.1 | 18.4 |
| Depreciation and Amortization | 49.4 | 41.5 |
| Adjusted EBITDA | \$ 91.5 | \$ 75.7 |
| Adjusted EBITDA margin | 13.7 % | 16.8 % |

(1) See special items table above for more details

(2) This represents the one-time costs to establish the TRA liability with our pre-IPO stockholders

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

Adjusted CASM

Adjusted CASM is a non-GAAP measure derived from CASM by excluding fuel costs, costs related to our cargo operations (began in 2020 when we launched our cargo operations), stock based compensation, certain commissions and other costs of selling our vacations product 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 also a measure 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.

Adjusted CASM also 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 at long-term employee retention, rather than to motivate or reward operational performance for any particular period. Thus, stock-based compensation expense varies for reasons that are generally unrelated to operational decisions and performance in any particular period.

As derivations of 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 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 foregoing reasons, Adjusted CASM has significant limitations which affect its use as an indicator of our profitability. Total operating expense less fuel and special items per block hour is derived by excluding fuel expense and special items from total operating expense. By excluding volatile fuel expenses that are outside of our control from our unit metrics and certain special items that we consider to not be indicative of our ongoing operations, we believe that we have better visibility into the results of operations and our non-fuel cost initiatives. Accordingly, you are cautioned not to place undue reliance on this information.

Reconciliation of CASM to Adjusted CASM

Amounts may not recalculate due to rounding, dollar amounts in millions

The following table presents the reconciliation of CASM to Adjusted CASM.

| | Three Months Ended September 30, | | | |
|--|----------------------------------|-----------------|----------------------------|-----------------|
| | 2022 | | 2021 ⁽⁷⁾ | |
| | Operating Expenses - mm | Per ASM (cents) | Operating Expenses - mm | Per ASM (cents) |
| CASM | \$ 206.3 | 13.28 | \$ 152.3 | 9.83 |
| Less: | | | | |
| Aircraft Fuel | 64.8 | 4.17 | 36.6 | 2.37 |
| Stock Compensation Expense | 0.5 | 0.03 | 1.0 | 0.06 |
| Special Items, net ⁽¹⁾ | — | — | (0.1) | — |
| Cargo expenses, not already adjusted above | 23.6 | 1.52 | 15.5 | 1.00 |
| Sun Country Vacations | 0.2 | 0.01 | 0.2 | 0.01 |
| Adjusted CASM | \$ 117.2 | 7.55 | \$ 99.1 | 6.39 |
| Available seat miles (ASMs) - mm | 1,553.5 | | 1,549.4 | |

| | Nine Months Ended September 30, | | | |
|---|---------------------------------|-----------------|----------------------------|-----------------|
| | 2022 | | 2021 ⁽⁷⁾ | |
| | Operating Expenses - mm | Per ASM (cents) | Operating Expenses - mm | Per ASM (cents) |
| CASM | \$ 626.7 | 12.25 | \$ 348.8 | 7.98 |
| Less: | | | | |
| Aircraft Fuel | 206.3 | 4.03 | 90.6 | 2.07 |
| Stock Compensation Expense | 2.0 | 0.04 | 4.6 | 0.11 |
| Special Items, net ⁽¹⁾ | — | — | (72.4) | (1.66) |
| Tax Receivable Agreement expense ⁽²⁾ | — | — | 0.3 | 0.01 |
| Cargo expenses, not already adjusted above | 64.0 | 1.25 | 48.9 | 1.12 |
| Sun Country Vacations | 0.8 | 0.02 | 0.6 | 0.01 |
| Adjusted CASM | \$ 353.6 | 6.91 | \$ 276.1 | 6.32 |
| Available seat miles (ASMs) - mm | 5,114.1 | | 4,369.0 | |

(1) See special items table above for more details

(2) This represents the one-time costs to establish the TRA liability with our pre-IPO stockholders