

Allegiant Travel CO
Form 10-K/A
April 30, 2018

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number 001-33166
Allegiant Travel Company
(Exact Name of Registrant as Specified in Its Charter)

Nevada 20-4745737
(State or Other Jurisdiction of Incorporation or Organization) (IRS Employer Identification No.)

1201 North Town Center Drive
Las Vegas, Nevada 89144
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (702) 851-7300

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange on which registered
Common Stock, \$0.001 Par Value Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of common equity held by non-affiliates of the registrant was approximately \$1.7 billion computed by reference to the closing sale price of the common stock on the Nasdaq Global Select Market on June 30, 2017, the last trading day of the registrant's most recently completed second fiscal quarter.

The number of shares of the registrant's common stock outstanding as of the close of business on February 2, 2018 was 16,066,667.

DOCUMENTS INCORPORATED BY REFERENCE: None

EXHIBIT INDEX IS LOCATED ON PAGE 30.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the “Amendment”) amends the Annual Report on Form 10-K of Allegiant Travel Company for the fiscal year ended December 31, 2017, originally filed with the Securities and Exchange Commission (“SEC”) on March 1, 2018 (the “Original Filing”). We are filing this Amendment to amend Part III of the Original Filing to include the information required by and not included in Part III of the Original Filing because we no longer intend to file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2017 and the cover page of the Amendment now reflects we will not be incorporating Part III disclosures by reference to our proxy statement. In connection with the filing of this Amendment and pursuant to the rules of the SEC, we are including with this Amendment certain new certifications by our principal executive officer and principal financial officer. Accordingly, Item 15 of Part IV has also been amended to reflect the filing of these new certifications.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing other than as expressly indicated in this Amendment. In this Amendment, unless the context indicates otherwise, the terms “Company,” “we,” “us,” and “our” refer to Allegiant Travel Company. Other defined terms used in this Amendment but not defined herein shall have the meaning specified for such terms in the Original Filing.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information with respect to our board of directors and executive officers as of April 30, 2018:

Name	Age	Position	Director Since (1)
Maurice J. Gallagher, Jr.	68	Chief Executive Officer, Chairman of the Board	2001
John Redmond	59	President, Board Member	2007
Montie Brewer (2) (3)	60	Director	2009
Gary Ellmer (2) (3) (4)	64	Director	2008
Linda A. Marvin (3) (4)	56	Director	2013
Charles Pollard (2) (4)	60	Director	2009
Scott Sheldon	40	Executive Vice President, Chief Financial Officer, and Chief Operating Officer	N/A
Gregory C. Anderson	36	Senior Vice President, Treasury, and Principal Accounting Officer	N/A

(1) Each director serves for a one-year term with all directors being elected at each shareholders' meeting.

(2) Member of the compensation committee.

(3) Member of the nominating committee.

(4) Member of the audit committee.

Below are the principal occupations and business experience, for at least the past five years, of each director and executive officer. In addition, we indicate below the experience and qualifications which led the board of directors to conclude that each director should serve on the board:

Maurice J. Gallagher, Jr. has been actively involved in the management of our company since he became our majority owner and joined our board of directors in 2001. He has served as our chief executive officer since 2003 and was designated chairman of the board in 2006. Prior to his involvement with Allegiant, Mr. Gallagher devoted his time to his investment activities, including companies which he founded. Mr. Gallagher was one of the founders of ValuJet Airlines, Inc. (the predecessor of AirTran which later merged with Southwest Airlines) and served as an officer and director of ValuJet from its inception in 1993 until 1997. From 1983 until 1992, Mr. Gallagher was a principal owner and executive of WestAir Commuter Airlines.

As the founder of our business strategy and as our chief executive officer for the last 17 years, Mr. Gallagher provides invaluable strategic direction, innovation and experience to our board.

John Redmond was originally elected to our board in 2007 and served until June 2013, when he resigned to assume a full-time commitment in Australia. After the completion of his commitment, he was once again designated to serve on the board in April 2014 and in September 2016, he was elected as the company's president. From January 2013 until April 2014, Mr. Redmond served as managing director and chief executive officer of Echo Entertainment Group, Ltd., a gaming and hospitality company. From 2007 until January 2013, Mr. Redmond devoted his time to his private investments. Mr. Redmond served as president and chief executive officer of MGM Grand Resorts, LLC and a director of its parent company, MGM Mirage, from 2001 until 2007. Prior to that, he served as co-chief executive officer and a director of MGM Grand, Inc. from December 1999 to March 2001. He was senior vice president of MGM Grand Development, Inc. from 1996 to 1999. He served as vice-chairman of MGM Grand Detroit, LLC from

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1998 to 2000 and chairman from 2000 until 2007. Prior to 1996, Mr. Redmond was senior vice president and chief financial officer of Caesars Palace and Sheraton Desert Inn, having served in various other senior operational and development positions with Caesars World, Inc. Mr. Redmond has served as a director of Vail Resorts, Inc. since 2008 and served as director of Tropicana Las Vegas Hotel and Casino, Inc. from 2009 until June 2013 and of Echo Entertainment Group Limited from September 2011 until April 2014.

Mr. Redmond's prior experience as chief executive officer of MGM entities and extensive prior experience with other resorts provide a travel industry perspective not shared by the other members of our board. With the importance of ancillary revenue to our profitability and with the sale of hotel rooms being one of the largest individual components of our third party ancillary revenue, Mr. Redmond's input is particularly valuable to our board.

Montie Brewer was elected to our board in 2009. Mr. Brewer was elected to the board mid-term at the recommendation of our chief executive officer. Mr. Brewer served in senior management roles for Air Canada from 2002 until 2009, serving as its president and chief executive officer from December 2004 until 2009. Mr. Brewer served on the board of directors of Air Canada from 2002 until 2010. Prior to Air Canada, Mr. Brewer served as senior vice president-planning for United Airlines and previously worked at Northwest Airlines, Republic Airlines, Braniff and TransWorld Airlines, beginning his employment in the airline industry in 1981. Mr. Brewer served as an executive officer of United Airlines from 1988 until 2002. Mr. Brewer served as a director of Aer Lingus from 2010 until 2015 and as a director for Swiss International Airlines from 2014 until 2017. Mr. Brewer also serves on the boards of Finnair (since March 2018), Radixx International (since October 2016) and ID90 (since December 2016).

Mr. Brewer's prior experience as chief executive officer of Air Canada for more than four years, and his more than 28 years in management positions at multiple airlines, provide the background for a conclusion that he is a valuable addition to our board.

Gary Ellmer was elected to our board in 2008. Mr. Ellmer served in senior management positions for ATA Airlines from 2006 until February 2008, serving as chief operating officer from September 2007 until February 2008. ATA filed for Chapter 11 bankruptcy protection in April 2008. Mr. Ellmer served as president and chief operating officer of Executive Airlines/American Eagle Caribbean from 2002 until 2006. From 1998 until 2002, he served in various officer positions for American Eagle Airlines, Business Express Airlines and WestAir Commuter Airlines.

Mr. Ellmer's service as chief operating officer of three airlines, and more than 27 years of experience in the airline industry, provide significant experience with regard to airline operations to support a conclusion that he should continue to serve on our board.

Linda A. Marvin was elected to our board in 2013. Ms. Marvin served as chief financial officer of the Company from 2001 until 2007 and consulted with the Company on a part-time basis until 2008. Since then, Ms. Marvin has dedicated her time to philanthropic activities and her private investments. She served as an officer of The Animal Foundation from January 2010 until January 2013 and served as its chairman from February 2013 until March 2016. She is also an active member of the United Way's Women's Leadership Council. From 1996 through 2001, Ms. Marvin held various management positions for Mpower Communications, including chief financial officer and senior vice president of finance. Prior to that, she was involved in the airline industry in various finance and accounting roles with Business Express/Delta Connection and with WestAir Commuter Airlines and earlier in her career, served as an audit manager with KPMG Peat Marwick.

Ms. Marvin's experience as chief financial officer of the Company, and her background in the airline industry, add valuable knowledge to our board.

Charles W. Pollard was elected to our board in 2009. Mr. Pollard served in various executive positions for Omni Air International from 1997 until 2009, including as its president and chief executive officer from January 2007 until September 2008. Prior to his employment with Omni Air International, Mr. Pollard served in various executive positions for World Airways from 1987 until 1997, including as president and chief executive officer from 1993 to 1997. Mr. Pollard began his career as an attorney in the corporate practice group of Skadden, Arps, Slate, Meagher & Flom LLP from 1983 to 1987. Mr. Pollard served as a director of Air Partner, PLC from 2009 through 2014, and has served as a director of Aircastle Limited since 2010.

Mr. Pollard's experience as chief executive officer of both Omni Air International and World Airways, and his corporate law background, provide a skill set of particular value to our board.

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Scott Sheldon was promoted to executive vice president in January 2017 and to Chief Operating Officer in June 2017. He has served as our chief financial officer since 2010. He served as a senior vice president from 2010 until January 2017, and served as our principal accounting officer from 2007 until 2010. Prior to that, Mr. Sheldon served in other accounting positions for us from 2004 until 2010. From 2001 until 2004, Mr. Sheldon worked in public accounting for the Perry-Smith, LLP regional public accounting firm in Sacramento, California.

Gregory C. Anderson was promoted to senior vice president, treasury on January 2017 and has served as our principal accounting officer since January 2015. He has worked in our accounting department since January 2010. Prior to joining the Company, Mr. Anderson worked in corporate accounting for U.S. Airways from May 2009 until January 2010 and worked in public accounting for Ernst & Young prior to joining U.S. Airways. Mr. Anderson is a certified public accountant.

None of our executive officers or directors are related to any other executive officer or to any of our directors. Our executive officers are elected annually by our board of directors and serve until their successors are duly elected and qualified.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10 percent of our equity securities to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Such persons are required by the Exchange Act to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by us with respect to transactions during 2017 through the date of this statement, or written representations from certain reporting persons, we believe that all filing requirements applicable to our directors and executive officers have been complied with. We note we have a more than 10 percent owner which is not an insider. This 10 percent owner did not file reports on Form 3, 4 or 5 during 2017.

Code of Ethics

We have adopted a Corporate Code of Conduct and Ethics (the "Code of Ethics") that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, as well as to other directors, officers and employees of ours. The Code of Ethics is posted on our website (www.allegiant.com) and is available in print free of charge to any shareholder who requests a copy. Interested parties may address a written request for a printed copy of the Code of Ethics to our senior counsel: Robert B. Goldberg, Ellis Funk, P.C., 3490 Piedmont Road, Suite 400, Atlanta, Georgia 30305. We intend to satisfy the disclosure requirement regarding any amendment to, or a waiver of, a provision of the Code of Ethics for our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions by posting such information on our website.

Audit Committee

The audit committee is currently comprised of Gary Ellmer, Linda A. Marvin, and Charles W. Pollard, each of whom is independent under the rules of the Securities and Exchange Commission and the Nasdaq Stock Market listing standards. Linda A. Marvin has been identified as the audit committee financial expert and serves as the chairperson of the committee.

Item 11. Executive Compensation

Compensation Discussion and Analysis

The following discussion and analysis of compensation arrangements of our executive officers should be read together with the compensation tables and related disclosures in this report.

Our compensation committee is responsible for establishing and implementing our compensation philosophy. Our compensation committee is appointed by our board of directors. Under the compensation committee charter in effect for 2017, our compensation committee had the responsibility for determining compensation for our chief executive officer, for any other executive officer who serves on the board and for any of our other executive officers with a base salary of \$200,000 or more. Our compensation committee also approves all equity grants under our long-term incentive plan.

Our named executive officers for 2017 were:

Maurice J. Gallagher, Jr. Chairman, Chief Executive Officer
 John Redmond President
 Scott Sheldon Executive Vice President, Chief Financial Officer, Chief Operating Officer
 Scott M. Allard Former Executive Vice President, Chief Information Officer
 Gregory C. Anderson Senior Vice President, Treasury, and Principal Accounting Officer

Executive Summary of 2017 Company Performance

During 2017, we solidified our plans to begin operating a single fleet type. We also continued to grow our nationwide service by adding aircraft to our operating fleet and providing service on more routes to more cities. We announced plans for the development of a resort in Southwest Florida. We returned money to shareholders as we continue to pay our quarterly cash dividend and continued to repurchase shares under our stock repurchase program.

Despite significant increases in expenses due to the transition of our fleet to a single aircraft type and due to the first full year of our pilot collective bargaining agreement, we continued to be profitable each quarter in 2017 and achieved a 17.5 percent operating margin for the year, excluding the effect of an impairment charge of \$35.3 million attributable to the planned retirement of our MD-80 fleet in fourth quarter 2018.

The following chart illustrates the continuing growth and profitability of our model over the past five years:

	For the Year Ended December 31,					
	2017	2016	2015	2014	2013	
Financial Data:						
Total operating revenue (in thousands)	\$1,503,778	\$1,362,831	\$1,262,188	\$1,137,046	\$996,150	
Operating income (in thousands)	\$227,169	\$370,558	\$371,702	\$157,345	\$154,737	
Net income attributable to Allegiant Travel Company (in thousands)	\$194,902	\$219,590	\$220,374	\$86,689	\$92,273	
Diluted earnings per share to common shareholders	\$11.93	\$13.21	\$12.94	\$4.86	\$4.82	
Cash dividends declared per share	\$2.80	\$2.40	\$2.75	\$2.50	\$2.25	
Operating margin (1)	17.5	% 27.2	% 29.4	% 17.6	% 15.5	%
Routes & Aircraft (end of period):						
Total cities	117	118	105	96	100	

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Total routes	401	360	296	233	226
Total aircraft in service	89	84	80	70	66

(1) Excluding impairment charges in 2014 and 2017.

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We have the longest period of continuous profitable quarters in the domestic airline industry, 61 quarters through March 31, 2018.

Compensation Philosophy and Objectives

The primary objectives of the compensation committee of our board of directors with respect to executive compensation are to retain the current executive team, to attract additional talented people, to provide annual cash incentives upon achievement of measurable corporate performance objectives, and to assure executives' incentives are aligned with shareholder value creation. In furtherance of these objectives, the compensation committee maintains compensation plans that tie the cash bonus portion of executives' total compensation to our financial and operating performance. Overall, the total compensation package is intended to create an executive compensation program: (i) providing for base compensation at below market levels, and (ii) rewarding our named executive officers for profitable performance.

In 2016 and prior years, our compensation committee did not use any particular formula to determine executive compensation, but considered many factors. We have had a very successful approach to establishing and allocating bonus compensation throughout our history as we have generated industry-leading margins as a percentage of revenues and have grown the Company substantially. The majority of compensation for our senior executives has been based on performance with fixed base compensation less than 20 percent of total compensation. The annual bonus amounts awarded by the compensation committee have been derived with consideration of financial, operating and individual performance exclusively. This approach has enabled the Company to attract excellent talent and perhaps more importantly retain this superior talent throughout the organization.

The 2017 year was the first year in which we used a formulaic performance-based plan to establish the foundation for cash bonuses for our named executive officers.

Although the compensation committee has been pleased with the success of the Company and how compensation has been determined in years past, the compensation committee adopted a metrics-based approach to determine the cash bonuses to be payable to our named executive officers, including our chief executive officer, for 2017 and future years. The compensation committee believes this will provide greater transparency to investors and will formalize operational targets for our executive officers in addition to reiterating the financial goals management has always been focused on. The cash bonus formula is discussed below.

Cash Bonus Formula for 2017 and Future Years. Our compensation committee adopted a formulaic approach to the participation of our most senior executive officers in our annual cash bonus program beginning in 2017. The formula is intended to motivate our executives to achieve specific company goals and to provide transparency to investors. Our compensation committee aligns executive compensation with our strategic plan by choosing a target performance level for each operational or financial goal (outlined in the 2017 Pay Metrics Table below) consistent with our business plan goals.

Our long-term success is highly dependent on running a reliable operation, keeping unit costs low, and achieving operating margins better than others in the industry. Each of these key strategic objectives is reflected in the goals of the Performance-Based Pay Plan.

2017 Performance-Based Plan Pay

For the named executive officers in our active employ at the end of 2017, the 2017 maximum cash bonus levels have been set as follows:

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Name	Maximum as a Percentage of Base Pay
Maurice J. Gallagher, Jr.	(1)
John Redmond	Not eligible (2)
Scott Sheldon	500%
Gregory C. Anderson	500%

(1) Mr. Gallagher does not receive a base salary. His bonus eligibility is capped at four times the average bonus for the eligible executive vice presidents.

(2) Under his employment agreement, Mr. Redmond does not have any entitlement to participate in the cash bonus pool during the term of his employment contract.

Incentive award payments may range from zero to 500 percent of each executive vice president's base salary based on the achievement of performance goals set by our compensation committee at the beginning of each year. Cash bonus eligibility of up to 500 percent of base salary has been established in recognition of the below-industry base salaries of the executive officers and a Company philosophy to have a large percentage of the executives' compensation at risk dependent on Company performance and to reward the executives for successful Company performance. For each performance metric, performance at the threshold level will result in a bonus of up to 100 percent of base salary for that metric, performance at the target level will result in a cash bonus of up to 300 percent of base salary for that metric, while the cash bonus could be as much as 500 percent for performance at or above the maximum level. The payout percentages are interpolated for performance between the levels identified, but if performance for a particular metric is below the threshold level, no payment will be made as to that metric. We realize these percentages may be higher than what other companies may use, but with significantly lower than industry base salaries, having a larger bonus potential is consistent with the risk-reward approach to executive compensation we have used successfully over many years. Further, the formula is intended to define the maximum amount of cash bonus for our named executive officers. Our compensation committee reserves the right to reduce the cash bonus determined under the formula for any executive officer based on the Company's profitability and bonus accrual, compensation trends, compensation levels at other airlines with comparable profitability or other factors.

2017 Pay Metrics

For 2017, the Performance-Based Pay Plan metrics were set as follows:

Goal Weighting