



SkyWest Incorporated
(NASDAQ: SKYW)
November 2025



Ronan Sahajpal
Group Head

Brandon DiPaola
Associate

Matthew King
Associate

Ryan Spitzer
Associate

Bailee Shopka
Analyst

James Riopelle
Analyst

Max Quain
Analyst

Table of Contents



1. Company Overview
2. Industry Overview
3. Valuation
4. Thesis I – Superior Business Model
5. Thesis II – Strong Capital Allocation
6. Risks & Catalysts
7. Recommendation
8. Appendix

SKYWEST
INCORPORATED



Company Overview



SKYWEST
INCORPORATED

Company Introduction



SkyWest operates one of the largest regional airline networks in North America, with a fleet of over 500 aircraft serving more than 250 destinations through partnerships with major U.S. carriers

Business Description

- SkyWest is a leading regional airline founded in 1972 and headquartered in St. George, Utah
- The company went public in 1986, trading on the NASDAQ under the ticker "SKYW"
- Flights primarily service routes from smaller cities to major hubs through long-term partnerships with Delta, United, American, and Alaska Airlines
- Operates a cost-efficient fleet of Bombardier and Embraer aircraft under fixed-fee capacity purchase agreements

Management Team



Russell A. Childs
CEO & President

Joined SkyWest in 2001, led its growth into the largest E175 operator and vital regional connector



Robert J. Simmons
CFO

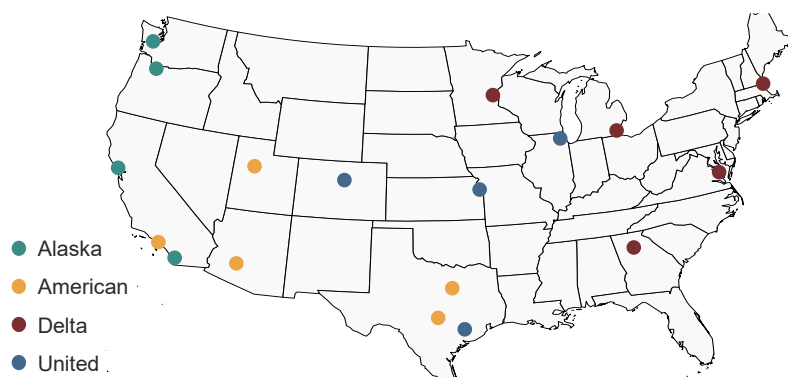
CFO since 2014 with extensive corporate finance and public company experience



Greg S. Wooley
VP Operations

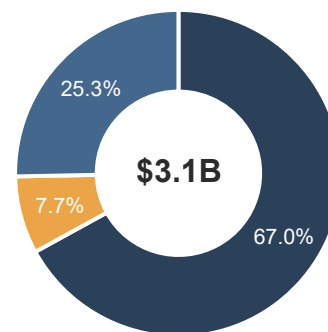
EVP of Operations with over 25 years in aviation, bringing leadership across flight, airport, and safety operations

Geographic Coverage

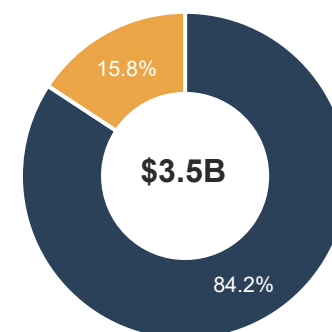


SKYW services all regional hubs for leading airlines incl: Denver (DEN), Salt Lake City (SLC), Houston (IAH, HOU), Minneapolis-St. Paul (MSP), Detroit (DTW), Los Angeles (LAX), Seattle (SEA), New York City (LGA, JFK)

Revenue Segmentation⁽¹⁾



- SkyWest Airlines
- SkyWest Leasing
- Express Jet



- SkyWest Airlines
- SkyWest Leasing

Business Model



SkyWest primarily functions as a regional airline, specializing in providing connecting or feeder services to major airlines

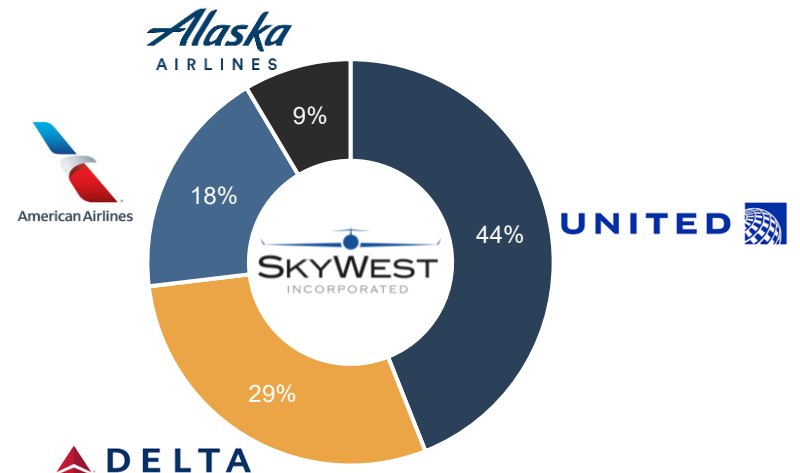
Revenue Streams



Strategic Objectives

Code-share Agreements	Operational Flexibility
<ul style="list-style-type: none"> Operates regional flights under major airline brands Uses partners' flight codes and marketing to link smaller markets to hubs 	<ul style="list-style-type: none"> Adjusts flying among partners based on demand Reallocates aircraft to maintain utilization and network efficiency
Cost Management	Diverse Fleet Management
<ul style="list-style-type: none"> Maintains low costs through shared operations Fixed-fee CPA model limits exposure to fare and fuel volatility 	<ul style="list-style-type: none"> Operates CRJ and E175 aircraft for varied partner needs Leases aircraft through SkyWest Leasing for added flexibility

Customer Breakdown

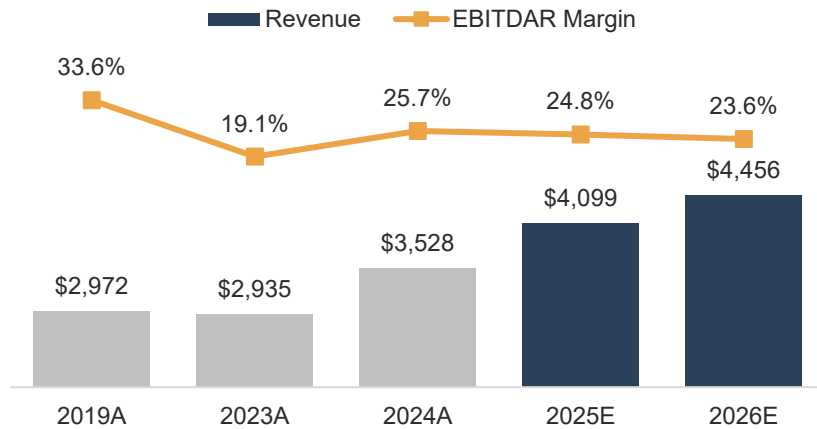




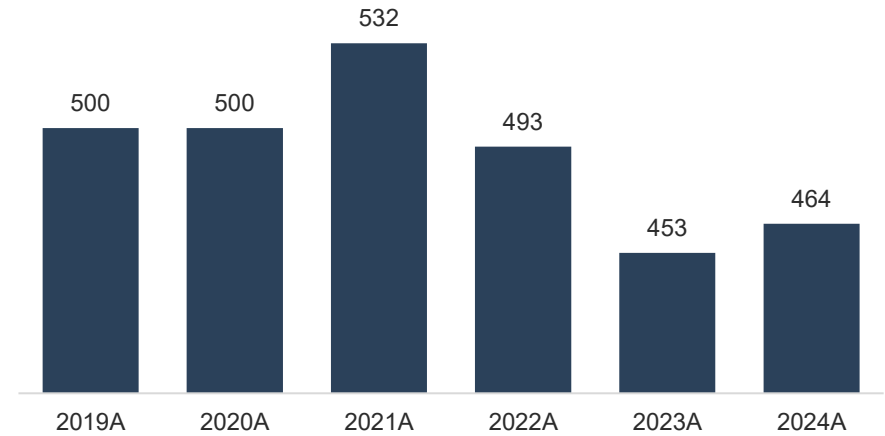
Key Performance Indicators

SkyWest has experienced revenue growth and stabilizing EBITDAR margins following the COVID-19 pandemic, driven by an increase in travel and a more favorable aircraft fleet

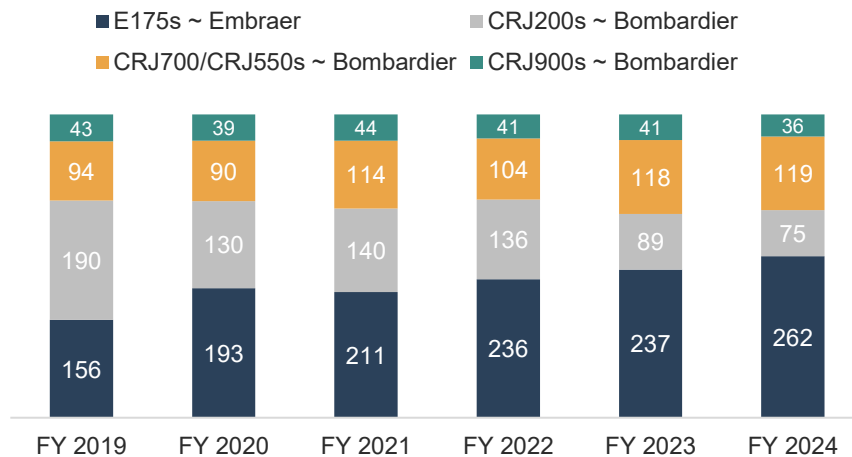
Revenue and EBITDAR Margin⁽¹⁾



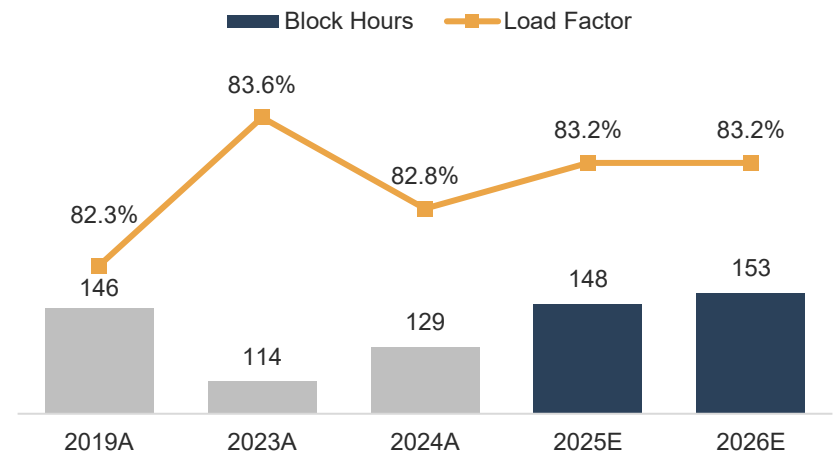
Average Passenger Trip Length (Miles)



Aircraft Mix Breakdown



Block Hours⁽²⁾ and Passenger Load Factor



Source(s): Bloomberg, Company Disclosures

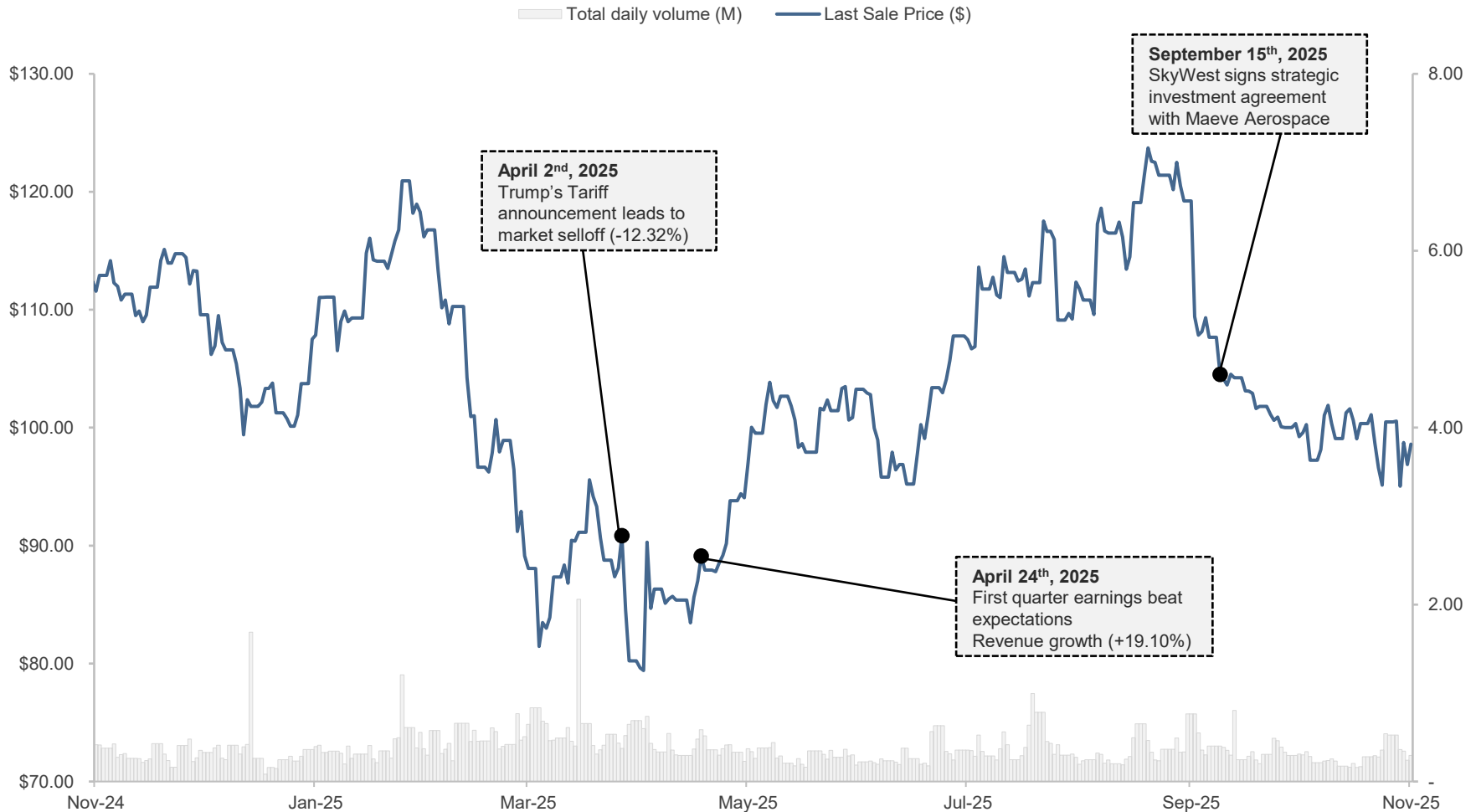
(1) EBITDAR = Earnings Before Interest, Taxes, Depreciation, Amortization, and Rent Obligations

(2) Block hours reflect the time from taxi to arrival, measured in 10,000 hours

Annotated Price Chart



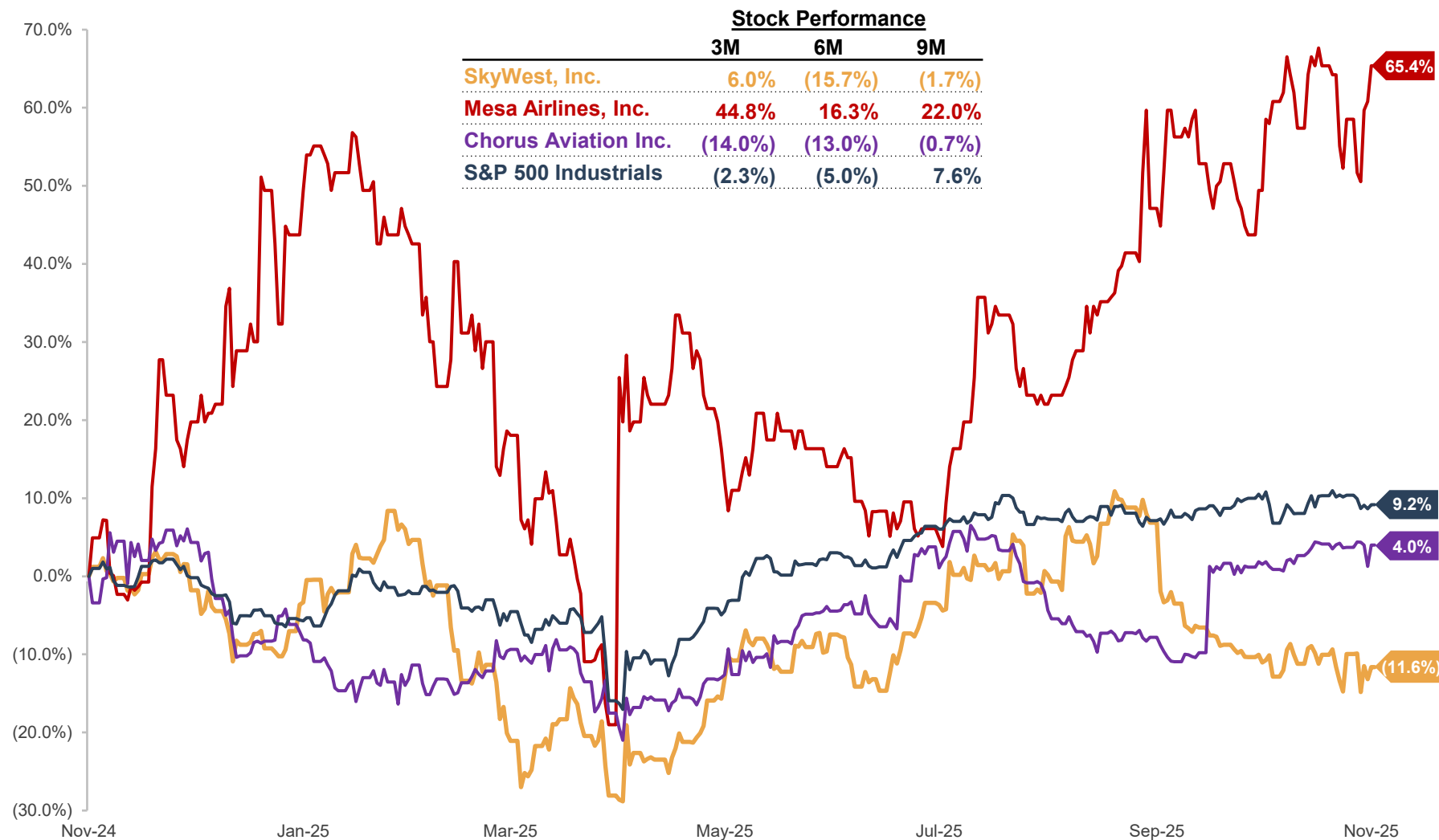
SkyWest's share price has experienced heightened volatility, influenced by broader market turbulence and ongoing operational initiatives to enhance long-term performance



LTM Relative Trading



SkyWest falls below its peers and the industry average as its share price faces pressure from regulatory headwinds





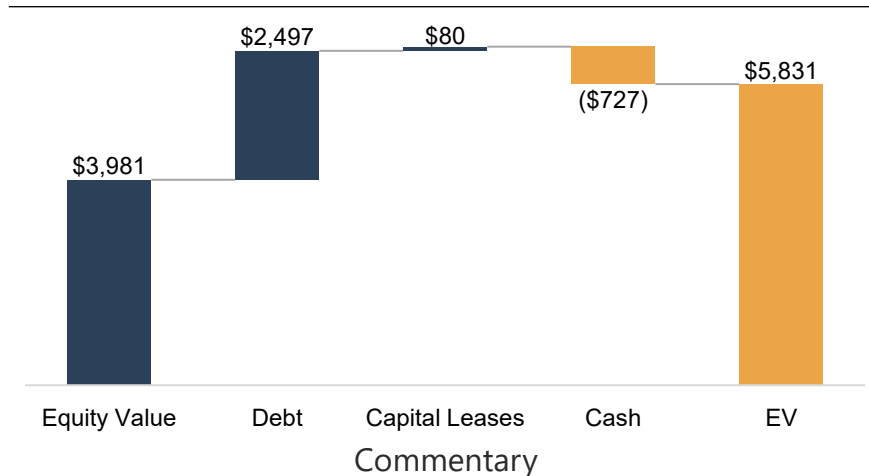
Shareholder Summary and Capitalization

SkyWest benefits from strong institutional ownership, reinforcing confidence, and supporting long-term shareholder value

Shareholder Summary

Institutions	# of Shares (mm)	Ownership (%)
BlackRock, Inc. (NYSE: BLK)	6.5	17.6%
The Vanguard Group, Inc.	4.8	13.0%
Dimensional Fund Advisors LP	2.5	6.8%
American Century Investment Management Inc	1.6	4.2%
State Street Global Advisors, Inc.	1.5	4.1%
Other Institutions	20.2	54.4%
Total Institutions	37.2	92.1%
Other		
Insiders	0.4	1.1%
Public	2.7	6.8%
Total Other	3.2	7.9%
Total Shares Outstanding	40.4	100%

Enterprise to Equity Value Bridge



- 92.1% of shares are held by institutions, with BlackRock and Vanguard owning a combined 30.6%, signaling strong institutional confidence and stability
- Insiders hold 1.1% and public investors hold 6.8%, reflecting a focus on institutional investment and a lower retail presence
- Total debt outstanding largely consists of a \$2.3B term loan used to finance aircraft and spare engines and a \$200M unsecured loan payable to the U.S. Treasury

Industry Overview



SKYWEST
INCORPORATED

Industry Drivers

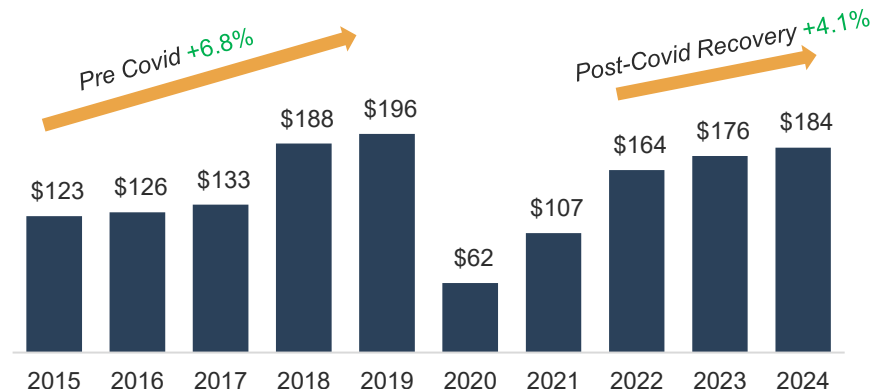


Strong post-COVID recovery driven by rising U.S. travel demand, regional connectivity, and SkyWest's multi-year full-service contracts

Stable Contracted Revenue Model – Full-Service Growth

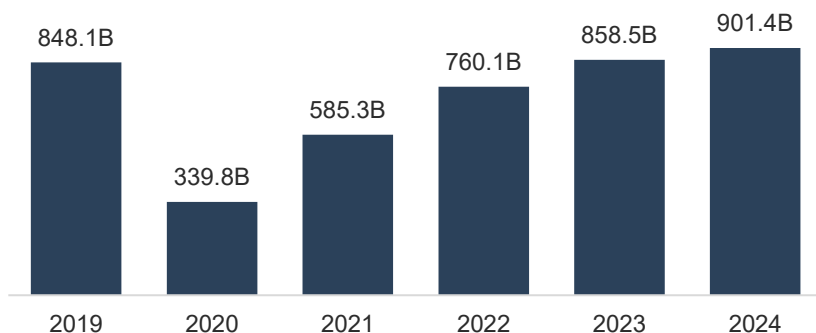
- Full-service seat growth projected in major airlines as Regionals rides, increasing regional flights
- SkyWest locked in multi-year contracts with Big 4 Airlines extending to 2034
- Major airlines are transitioning away from smaller aircrafts for regional portion of full-service regional flights

US Domestic Airline Market (Revenue \$B)



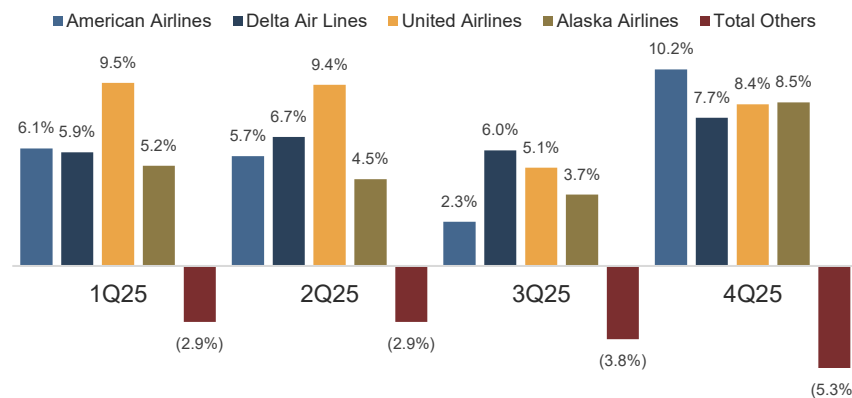
Growing Demand for US Travel (Billions of Passengers)

US travel demand has grown at a 27.2% CAGR since 2020, highlighting the robust demand for domestic travel



Rising Demand for Regional Connectivity

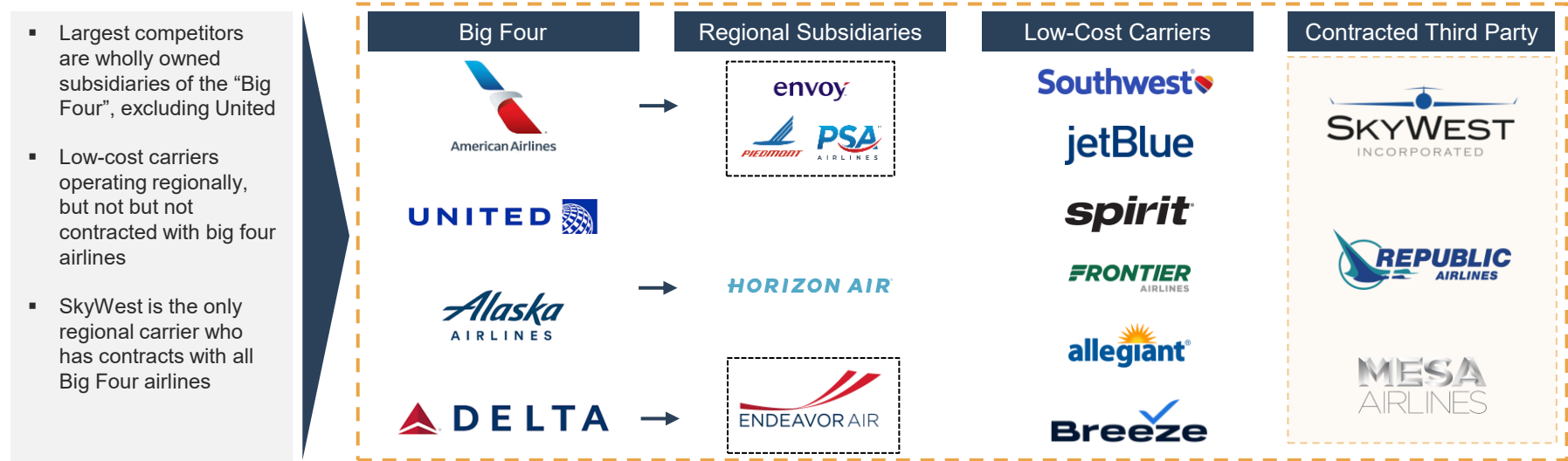
Domestic Flight Schedules vs Prior (YoY) – Big Four Emphasises Domestic Travel in '25





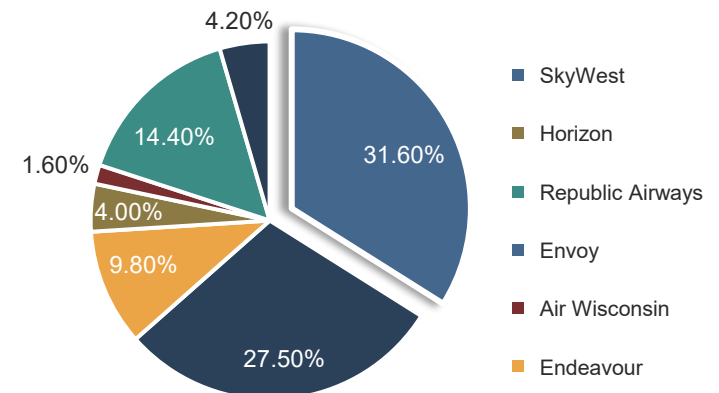
Competitive Landscape

SkyWest is the only third-party contractor to have contracts with all the big four airlines, contributing to their industry leading regional market share



SWOT Analysis

Regional Market Share⁽¹⁾





Industry Timeline

Since 2009, key mergers & acquisitions, bankruptcies, and pandemic implications have shaped the volatile yet opportunistic airline industry

- Apr, 1972: SkyWest is founded (formerly Dixie Airlines)
- Jun, 2009: Republic Airways acquires Midwest Airlines from TPG Capital
- Feb, 2016: Republic Airways Holdings Inc. files for Chapter 11 bankruptcy
- Jan, 2019: SkyWest sells Express Jet to ManaAir (a joint venture with United Airlines)
- Mar, 2020: The U.S. and Canada mutually agreed to close their borders to non-essential travel
- Jul, 2024: Delta Airlines suffers major operational disruption, leading to cancelation of 7,000 flights
- Apr, 2025: Republic Airways announces merger with Mesa Air group



Valuation



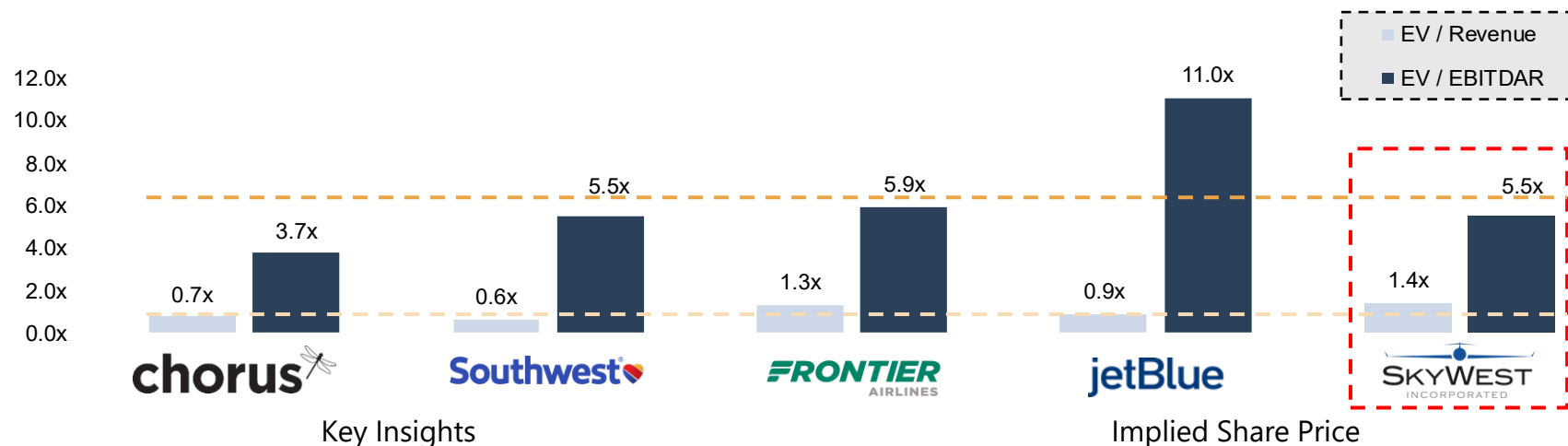
SKYWEST
INCORPORATED

Comparable Company Analysis



SkyWest's comparable analysis reflects a balanced mix of CPA-focused operators and leading regional airlines of similar scale, providing a comprehensive view of competitive positioning

Comparable Company Analysis



- Comparable analysis suggests that SkyWest is trading at a 28% discount relative to its current share price
- The industry has a wide range of EV / EBITDAR multiples ranging from 3.7x (Chorus) – 11.0x (JetBlue)
- SkyWest ranks above the industry average in EV / Revenue and below the average in EV / EBITDAR
- EV / EBITDAR multiple adds back lease expenses to better reflect the airlines' operational performance

Implied Share Price









	Unit	Value
2026E Mean EV / EBITDAR	(0.0x)	6.5x
2026E EBITDAR	(\$M)	\$1,041
Implied EV	(\$M)	\$6,814
Less: Debt	(\$M)	(\$2,470)
Less: Minority Interest	(\$M)	-
Add: Cash	(\$M)	\$753
Implied Equity Value	(\$M)	\$5,097
Diluted S/O	(M)	40
Share Price	(\$0.00)	\$126.24

Precedent Transactions Analysis



The following highlights strategic transactions across the regional airline sector, featuring acquisitions by Alaska Airlines, Onex Partners, Qatar Airways, and Chorus Aviation, while excluding deals completed during COVID-19

Precedent Transactions Analysis

Acquiror	Target	Date	Implied EV (\$M)	EV / EBITDA	Target Description
		Dec '23	\$1,842	10.3x	Hawaiian Holdings, Inc., through its subsidiary, Hawaiian Airlines, Inc., engages in the scheduled air transportation of passengers and cargo.
		May '19	\$3,675	7.2x	WestJet Airlines Ltd. owns and operates airplanes for commercial use.
		May '16	\$17,970	4.2x	International Airlines Group engages in the provision of passenger and cargo transportation services internationally.
		Mar '15	\$63	4.7x	Voyageur Airways is an airline based in North Bay, Ontario, Canada.
Mean				6.6x	

Overview

- Precedent transactions imply an EV / EBITDA multiple of 6.6x, indicating a ~31% discount to SkyWest's current share price
- Deal multiples range from 4.2x (IAG) – 10.3x (Hawaiian Airlines), highlighting differences in market positioning
- COVID-19 era transactions were excluded due to atypical market conditions and depressed valuations that do not reflect normalized industry performance

Implied Share Price

	Unit	Value
Mean EV / EBITDA	(0.0x)	6.6x
2026E EBITDA	(\$M)	\$1,050
Implied EV	(\$M)	\$6,923
Less: Debt	(\$M)	(\$2,470)
Less: Minority Interest	(\$M)	-
Add: Cash	(\$M)	\$753
Implied Equity Value	(\$M)	\$5,207
Diluted S/O	(M)	40
Share Price	(\$0.00)	\$128.97



Discounted Cash Flow Analysis

Valuation is derived from 3 operating cases with a base case upside of 32.47%

Bull Case

- Bull case guided by increased Revenue growth and OPEX decreases
- CAGR increased to 7.0% from Base Case of 6.3%

Base Case

- Base case valuation guided by Equity Research and sector outlook through public company research
- CAGR of 6.3%

Bear Case

- Bear case guided by downturn in industry growth with CAGR of 5.4% and 2% increase to OpEx

Valuation Analysis

	Units	Bear	Base	Bull
WACC	(%)	7.58%	7.58%	7.58%
D/E Ratio	0.0x	0.5x	0.5x	0.5x
Exit Multiple	0.0x	6.5x	6.5x	6.5x
Terminal Growth Rate	(%)	1.00%	1.00%	1.00%
Financial Metrics				
FY2025 Revenue	\$M	\$4,046	\$4,099	\$4,153
FY2030 Revenue	\$M	\$5,270	\$5,547	\$5,824
FY2025 EBITDAR	\$M	\$1,016	\$1,028	\$1,040
FY2030 EBITDAR	\$M	\$1,142	\$1,201	\$1,260
Avg. Implied EV	\$M	\$6,521	\$7,002	\$7,497
Avg. Implied Share Price⁽¹⁾	\$/share	\$119	\$131	\$143
Implied Upside	(%)	20.40%	32.47%	44.88%



Take-Private Leveraged Buyout

Considering a 5-year holding period and a similar capital structure, a take-private LBO scenario returns 20% IRR, indicating undervaluation compared to market

Sample Sponsors⁽¹⁾

Valuation Analysis



BIRCH HILL
equity partners

Blackstone

cerberus



FORTRESS

terra firma



Bull Case

- Guided by growth in Revenue and favorable operating margins
- Increases IRR to 21.07%

Base Case

- Base case valuation guided by Equity Research and sector outlook
- IRR of 20.05%

Bear Case

- Bear case guided by downturn in industry growth with
- IRR of 18.96%

Transaction Summary

Entry EV/EBITDAR	5.7x ⁽²⁾
EBITDAR @ Purchase (\$MM)	\$1,028
Enterprise Value (\$MM)	\$5,860
Debt Financing	60%
Equity Financing	40%
Holding Period	5yrs ⁽²⁾

Key Outputs

IRR	20.05%
MOIC	2.5x

Impact of Leverage Usage on Returns

Leverage	IRR	MOIC
20%	6.80%	1.4x
30%	9.12%	1.5x
40%	11.94%	1.8x
50%	15.46%	2.1x
60%	20.05%	2.5x
70%	26.42%	3.2x
80%	36.28%	4.7x

Source(s): Bloomberg, Company Disclosures

(1) Sponsors chosen have historically made investments in aviation companies such as airlines or air lessors

(2) All scenarios assume same entry and exit multiple (5.7x) and same holding period (5yrs)



Investment Theses



SKYWEST
INCORPORATED

Thesis I – Superior Business Model to Other Airlines

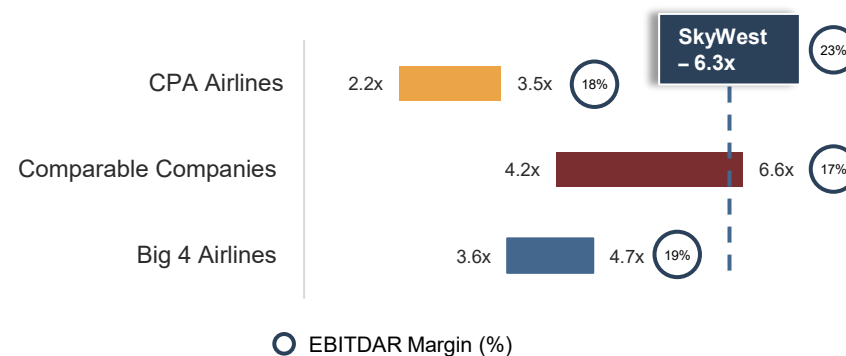


A diversified portfolio of long-term CPAs with major US carriers drives capital efficiency, and a dominant market share in the regional airline market

Low-Risk Business Model

- Big four airlines handle ticket sales and demand risk under CPA contracts
- SkyWest is paid for flights, not passenger numbers
- Long-term deals (5+ years) give financial stability to SkyWest
- Big four airlines need reliable feeder service, regardless of market swings
- CPAs shield regionals from downturns and seasonal drops

Strength is Reflected in Valuation (EV/EBITDAR FY 2024)

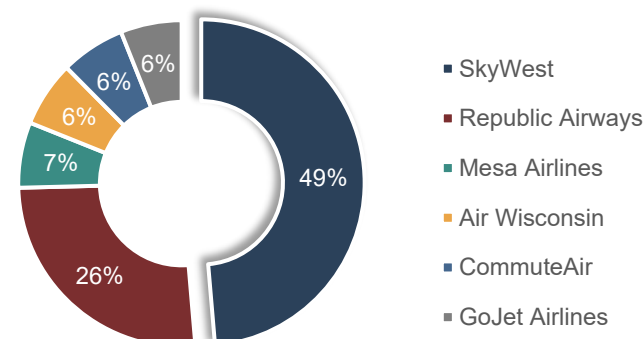


Long-Term CPA Contract Pipeline

Agreement	# of Aircraft	Term Duration
United Express	194	Individual aircraft have scheduled removal data, 2033
Delta Airlines	126	Individual aircraft have scheduled removal date, 2034
American Airlines	88	Individual aircraft have scheduled removal, 2034
Alaska Airlines	42	Individual aircraft have scheduled removal date, 2034

US CPA Market Share

SkyWest dominates the CPA market with almost 50% Market Share, with its next closest competitor only holding 26%



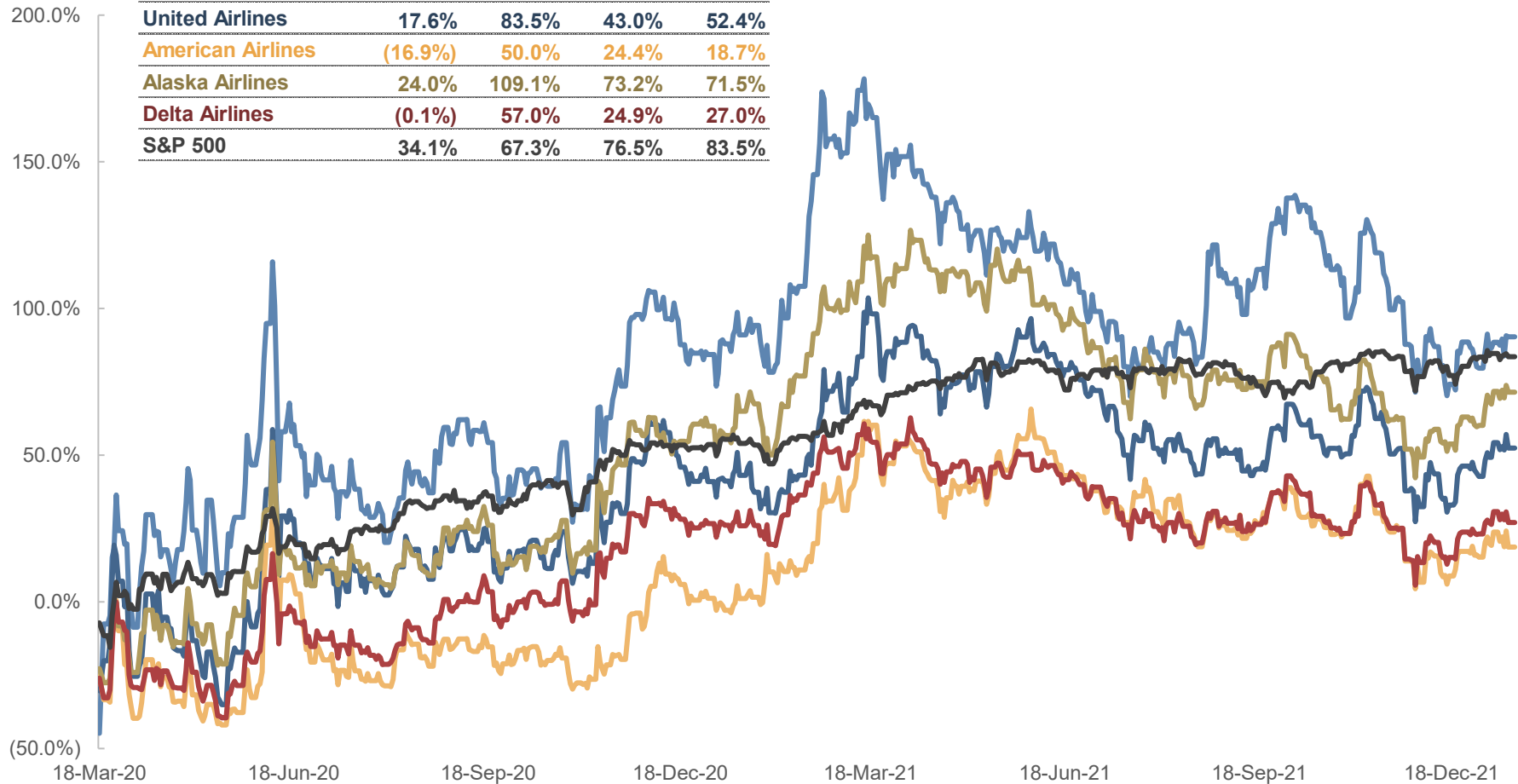


Thesis I – Case Study: COVID-19 Bounce-back

While major airline companies declined during the COVID-19 pandemic, SkyWest's share price remained resilient due to its fixed-fee capacity purchase agreements and stable regional service demand

Stock Performance

	6M	12M	18M	End
SkyWest, Inc.	58.5%	174.3%	106.9%	90.4%
United Airlines	17.6%	83.5%	43.0%	52.4%
American Airlines	(16.9%)	50.0%	24.4%	18.7%
Alaska Airlines	24.0%	109.1%	73.2%	71.5%
Delta Airlines	(0.1%)	57.0%	24.9%	27.0%
S&P 500	34.1%	67.3%	76.5%	83.5%








Thesis II – Strong Capital Allocation

SkyWest prioritizes disciplined capital spending to modernize its fleet, boost efficiency, and deliver long-term growth

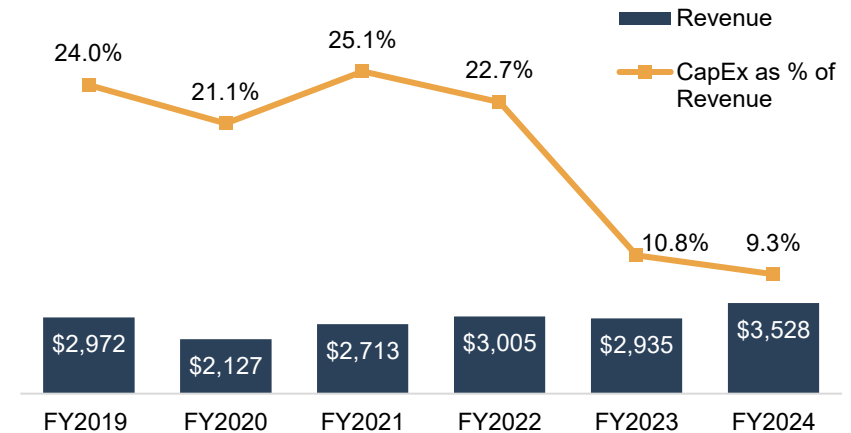
Disciplined Capital Management

- Post COVID-19, SkyWest's strategic capital deployment has fueled sustained revenue growth
- The 2019 sale of ExpressJet Airlines marked a decisive exit from underperforming assets, reinforcing SkyWest's focus on core operations
- SkyWest's equity investment in Maeve Aerospace highlights its commitment to innovation in aviation
- Investments in top-of-the-line Embraer 175 aircraft enhance network flexibility and passenger experience

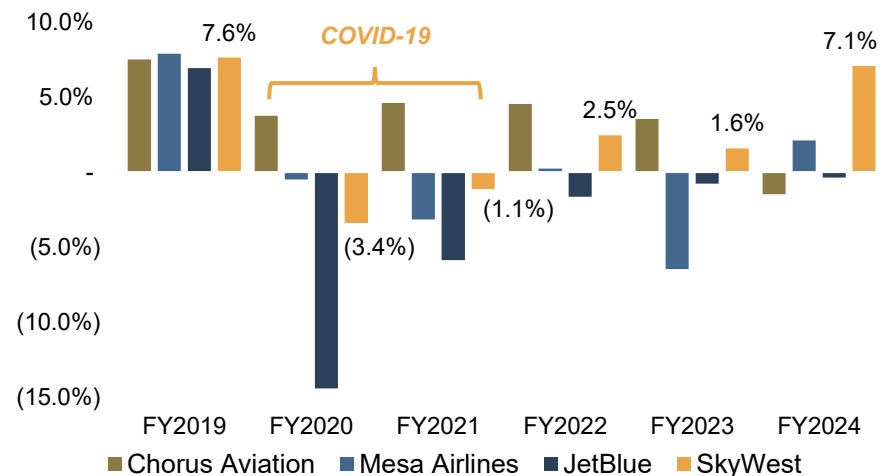
Fleet Scale Under Active Contracts (FY2024)

Model		  		
Embraer	E175	262	25	54
	CRJ900	36	35	6
Bombardier	CRJ550 / CRJ700	119	-	-
	CRJ200	75	15	-
De Havilland	Dash 8-400	-	39	-
Total		492	114	60

Strategic Capital Expenditure Allocation



ROIC Comparison Across Peers (%)



Risks & Catalysts



SKYWEST
INCORPORATED



Risks & Catalysts

SkyWest faces multiple operational and regulatory challenges amid current market dynamics; however, tailwinds, such as rising regional demand, strong partnerships, fleet modernization, and charter expansion could propel future growth

Driving Factors

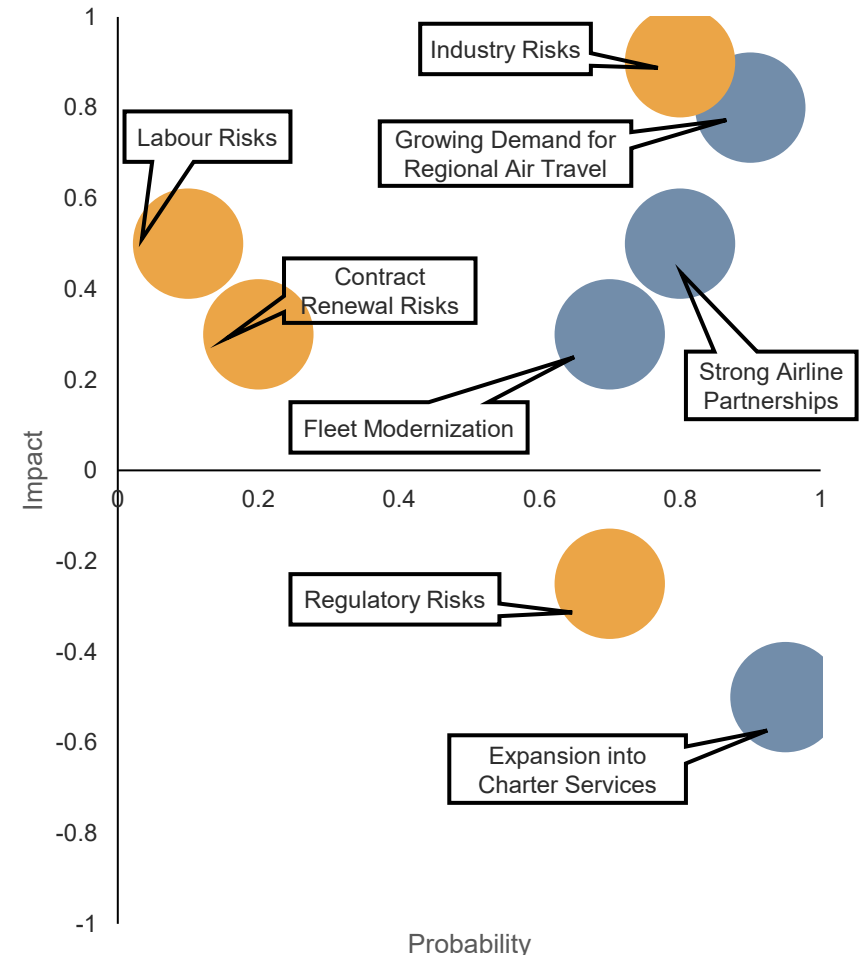
Risks

- **Industry Risks:** The FAA has ordered a 10% reduction in U.S. flights (~1,800 flights) due to the government shutdown, which could disrupt revenue streams by reducing regional connectivity⁽¹⁾
- **Regulatory Risks:** Potential tariffs on Embraer aircraft imports may increase acquisition costs and hinder fleet expansion plans
- **Labour Risks:** Rising wages and benefits for pilots and unionized crew members could compress margins under CPAs
- **Contract Renewal Risks:** Dependence on major airline CPAs means renegotiation terms could impact revenue stability

Catalysts

- **Growing Demand for Regional Air Travel:** Especially in smaller communities where major carriers have reduced service
- **Strong Airline Partnerships:** Major carriers provide consistent cash flow and create opportunities to scale operations
- **Fleet Modernization:** Continued investment in the Embraer E175 aircraft, reduces maintenance costs, improves fuel efficiency, and enhances passenger comfort
- **Expansion into Charter Services:** The launch of SkyWest Charter diversifies revenue streams beyond CPAs and lowers reliance on major airline contracts

Probability and Impact Matrix



Recommendation



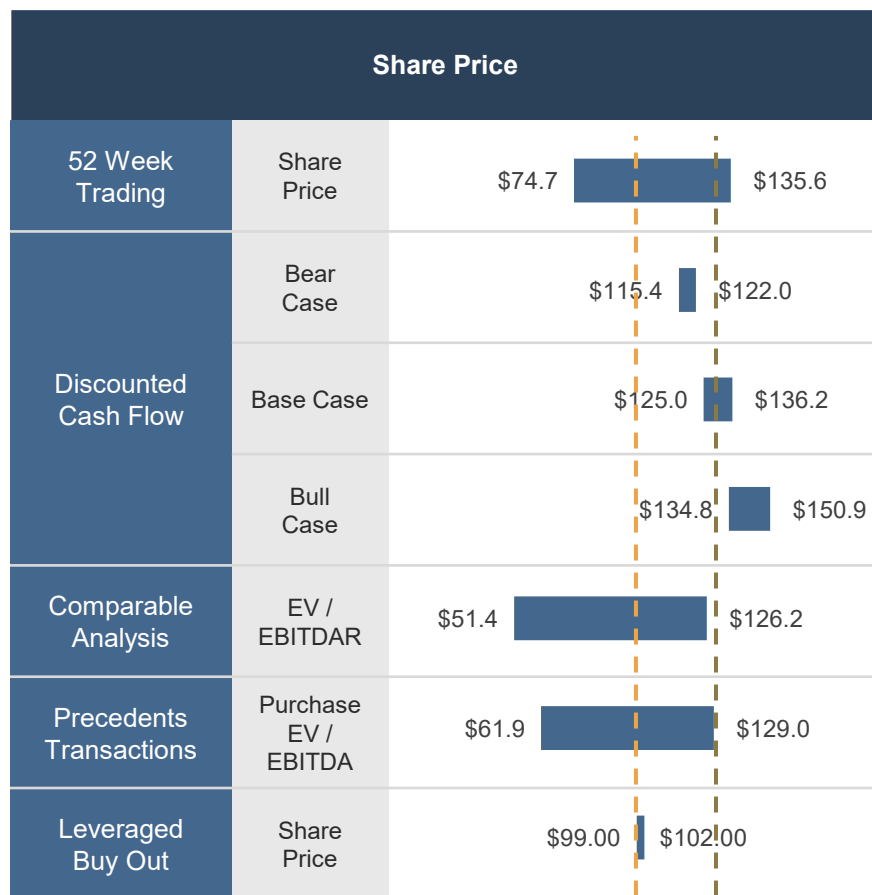
SKYWEST
INCORPORATED



Recommendation

Implied Share Price of \$128.87 derived from weighted average of valuation methods, in line with the street

Football Field Valuation

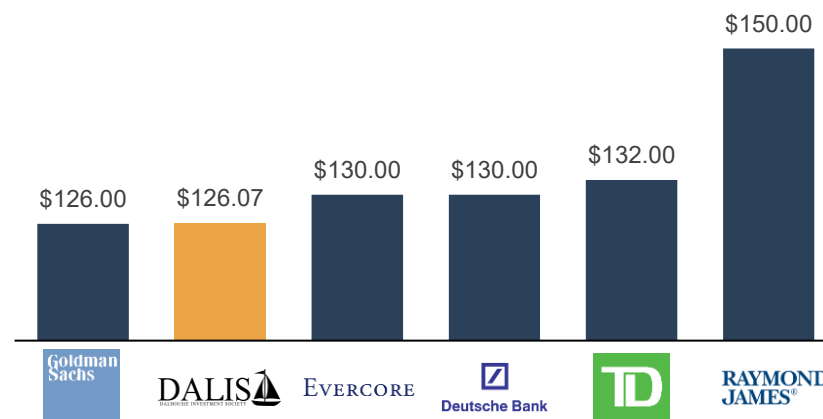


■ Current Share Price (\$96.60) ■ Implied Share Price (\$126.07)

Implied Share Price

Valuation Method	Price	%
DCF - Best Case	\$142.85	20%
DCF - Base Case	\$130.62	30%
DCF - Worst Case	\$118.72	30%
Precedents	\$120.00	10%
Comps	\$115.00	5%
LBO	\$99.00	5%
Total	\$126.07	100%

Analyst Recommendations





Appendix



SKYWEST
INCORPORATED

Fleet Breakdown



SkyWest's fleet contains 5 aircraft models from Embraer and Bombardier. Skywest and other regional carriers are shifting towards single-plane fleets consisting of Embraer E-175s

Manufacturer	Model	Aircraft	Range (Miles)	Capacity (Seats)	Quantity ¹
	E-175		2,100	76	265
	CRJ900		1,500	76	36
	CRJ700/550		1,600	70	121
	CRJ200		1,200	50	80
Total			6,400		502

Source(s): Bloomberg, Company Disclosures

(1) Quantity in use or under contract



Comparable Company Analysis

Publicly traded CPA Airlines and American Regional Carriers with similar coverage were chosen for comparable companies

	Share Price	Market Cap. ⁽¹⁾	Ent. Value	EV / Revenue ⁽²⁾		EV / EBITDAR ⁽²⁾		EBITDAR Margin ⁽³⁾	Revenue Growth ⁽²⁾	
				2025E	2026E	2025E	2026E		22-24	24-26
	(US\$)	(US\$M)	(US\$M)	(x)	(x)	(x)	(x)	(%)	(%)	(%)
CPA Airlines and Regional Carriers										
Chorus Aviation Inc.	\$16.58	\$445	\$672	0.7x	0.7x	3.2x	3.7x	19.0%	(12.0%)	(8.0%)
Southwest Airlines Co.	\$32.45	\$16,782	\$19,022	0.7x	0.6x	8.6x	5.6x	12.3%	15.4%	10.1%
Frontier Group Holdings, Inc.	\$3.93	\$900	\$5,366	1.4x	1.3x	8.3x	5.9x	24.4%	13.5%	13.1%
JetBlue Airways Corporation	\$4.42	\$1,608	\$8,410	0.9x	0.9x	21.9x	11.0x	8.4%	1.3%	6.0%
Average				0.9x	0.9x	10.5x	6.5x	16.1%	4.6%	5.3%
Median				0.8x	0.8x	8.5x	5.7x	15.7%	7.4%	8.1%
SkyWest, Inc.	\$98.60	\$3,954	\$5,670	1.4x	1.4x	5.7x	5.4x	26.2%	17.4%	20.0%

Source(s): Bloomberg, Company Disclosures, Market data from S&P Capital IQ as of November 7, 2025

(1) Shares outstanding based on the treasury stock method

(2) Estimates based on broker consensus average from S&P Capital IQ

(3) Based on 2026E results

Discounted Cash Flow Analysis - WACC



WACC of 7.58%

Assumptions

- Unlevered Beta: *5Y Beta from CIQ*
- Re-levered Beta: *Average D/E and Betas used from Chorus Aviation, Southwest Airlines, Frontier Group, and JetBlue Airways*
- Risk Free Rate: *US 5Y yield, at market close November 7, 2025*
- Equity Risk Premium: *Damodaran, November 7, 2025*
- Weighted Average Interest Rate: *Listed in FY 2025 Q3 10-Q, released October 31, 2025*
- Capital Structure: *SkyWest's current, November 7, 2025*

WACC

WACC		
Cost of Equity (CAPM)	Units	
Unlevered Beta	(0.00)	1.63
Risk Free Rate	(%)	3.68%
Equity Risk Premium	(%)	4.33%
Re-levered Beta	(0.00)	1.52
Cost of Equity (CAPM)	(%)	10.26%
Cost of Debt		
Weighted Average Interest Rate	(%)	4.30%
Tax Rate	(%)	21.00%
After Tax Cost of Debt	(%)	3.40%
Capital Structure		
Market Capitalization	(\$M)	\$3,885
Market Value of Debt	(\$M)	\$2,485
Total Capital Structure	(\$M)	\$6,370
% Equity	(%)	60.98%
% Debt	(%)	39.02%
WACC	(%)	7.58%

Debt Outstanding

Instrument	Units	Amt O/S	% Weight	Interest Rate	Maturity
Operating Lease	(\$M)	\$85	3.4%	6.200%	unknown
Revolver	(\$M)	-	-	SOFR + 3.5%	25-Mar-28
Unsecured Debt to US Treasury	(\$M)	\$201	8.1%	4.000%	unknown
Finance Aircraft and Spare Engines	(\$M)	\$2,200	88.5%	unknown	unknown
Total	(\$M)	\$2,485	100.0%		



Discounted Cash Flow Analysis - Base Case UFCF Build

Base Case DCF results in an implied share price of \$125.03 using a 6.5x EV/EBITDAR Exit Multiple, and \$136.20 using a 1.0% terminal growth rate

UFCF Build

Period	Units	Historic						Projected					
		FY 2019A	FY 2020A	FY 2021A	FY 2022A	FY 2023A	FY 2024A	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Total Revenue	(\$M)	\$2,972	\$2,127	\$2,714	\$3,005	\$2,935	\$3,528	\$4,099	\$4,456	\$4,819	\$5,149	\$5,378	\$5,547
COGS & OpEx	(\$M)	(\$2,070)	(\$1,889)	(\$2,335)	(\$2,378)	(\$2,446)	(\$2,654)	(\$3,114)	(\$3,601)	(\$3,839)	(\$4,051)	(\$4,287)	(\$4,401)
EBITDA	(\$M)	\$902	\$238	\$378	\$627	\$490	\$874	\$986	\$855	\$980	\$1,098	\$1,092	\$1,146
EBITDA Margin	(%)	30.4%	11.2%	13.9%	20.9%	16.7%	24.8%	24.0%	19.2%	20.3%	21.3%	20.3%	20.7%
D&A	(\$M)	(\$368)	(\$475)	(\$440)	(\$394)	(\$383)	(\$384)	(\$398)	(\$500)	(\$512)	(\$541)	(\$580)	(\$590)
EBIT	(\$M)	\$534	(\$237)	(\$62)	\$233	\$106	\$490	\$588	\$355	\$468	\$557	\$512	\$556
Tax Expense	(\$M)	(\$127.4)	\$57.9	\$21.6	(\$52.6)	(\$13.6)	(\$123.7)	(\$91.2)	\$74.6	\$98.3	\$116.9	\$107.5	\$116.8
Effective Tax Rate	(%)	22.9%	23.7%	23.1%	25.8%	23.3%	22.6%	(21.0%)	(21.0%)	(21.0%)	(21.0%)	(21.0%)	(21.0%)
NOPAT	(\$M)	\$407	(\$179)	(\$40)	\$180	\$93	\$367	\$496	\$430	\$566	\$674	\$619	\$673
Add: D&A	(\$M)	\$368	\$475	\$440	\$394	\$383	\$384	\$398	\$500	\$512	\$541	\$580	\$590
Less: Increases in NWC	(\$M)	\$56	(\$63)	(\$191)	\$158	(\$100)	(\$70)	\$16	(\$155)	(\$48)	(\$21)	(\$41)	(\$46)
Less: CapEx	(\$M)	(\$216)	(\$448)	(\$681)	(\$683)	(\$316)	(\$322)	(\$598)	(\$509)	(\$560)	(\$643)	(\$635)	(\$663)
Unlevered Free Cash Flow	(\$M)		(\$215)	(\$473)	\$50	\$59	\$358	\$313	\$267	\$470	\$551	\$523	\$555
Discount Factor	(0.0x)							1.0x	2.0x	3.0x	4.0x	5.0x	6.0x
PV of Unlevered Free Cash Flow	(\$M)							\$290	\$230	\$377	\$411	\$363	\$358
EBITDAR	(\$M)	\$983	\$672	\$799	\$666	\$530	\$902	\$1,028	\$903	\$1,026	\$1,150	\$1,146	\$1,201
EBITDAR Margin	(%)	33%	32%	29%	22%	18%	26%	25%	20%	21%	22%	21%	22%

Exit Multiple Sensitivity - EBITDAR

	5.6%	6.6%	7.6%	8.6%	9.6%
4.5x	\$100.49	\$93.40	\$86.73	\$80.47	\$74.58
5.5x	\$121.91	\$113.65	\$105.88	\$98.58	\$91.72
6.5x	\$143.34	\$133.90	\$125.03	\$116.69	\$108.86
7.5x	\$164.77	\$154.14	\$144.17	\$134.81	\$126.01
8.5x	\$186.20	\$174.39	\$163.32	\$152.92	\$143.15

Gordon Growth Sensitivity

	6.6%	7.1%	7.6%	8.1%	8.6%
0.5%	\$156.73	\$140.19	\$126.00	\$113.70	\$102.94
0.8%	\$163.75	\$146.03	\$130.92	\$117.88	\$106.53
1.0%	\$171.40	\$152.34	\$136.20	\$122.35	\$110.35
1.3%	\$179.77	\$159.20	\$141.90	\$127.15	\$114.43
1.5%	\$188.95	\$166.67	\$148.07	\$132.32	\$118.80



Leveraged Buyout Assumptions (1/2)

Base case LBO results in a 2.6x MOIC and 21.1% IRR, assuming a 5-year holding period and a 5.7x entry and exit multiple

Entry Assumptions

Enterprise Value	
Entry EV/EBITDAR	5.7x
EBITDAR at Purchase	\$1,040
Enterprise Value	\$5,928
Equity Offer Value	
Enterprise Value	\$5,928
Less: Debt Balance	(\$2,470)
Plus: Cash Balance	\$753
Equity Offer Value	\$4,212
Shares Outstanding (000,000s)	
Shares Outstanding	40 s/o
\$USD/Share	\$104
Premium (Discount)	
Share Price	\$98.60
Premium (Discount)	6%

Base Case IRR

	TTM	Year 1	Year 2	Year 3	Year 4	Year 5
TTM EBITDAR	\$1,040	\$947	\$1,076	\$1,207	\$1,202	\$1,260
Net Debt		\$3,049	\$2,541	\$2,033	\$1,524	\$1,016

Cash to (from) Sponsor	
Initial Investment	(\$2,371)
Exit	\$6,168
Cash to (from) Sponsor	(\$2,371)

Exit Multiple	5.7x
Enterprise Value	\$7,184
Net Debt	\$1,016
Equity Value	\$6,168
Invested Capital	(\$2,371)

MOIC	2.6x
IRR	21.07%

Sources and Uses

Debt Breakdown					
	\$	%	x	Term (Y)	Int. Rate ⁽¹⁾
Debt Tranche A	\$3,557	60%	3.4x	7	5.45%
Sources of Cash					
	\$	%	x		
Debt Tranche A	\$3,475	60%	3.4x		
Sponsor Equity	\$2,316	40%	2.3x		
Total Sources	\$5,791	100.0%	5.7x		
Uses of Cash					
	\$	%	x		
Equity Purchase Price	\$4,075	70%	4.0x		
Retired Debt	\$1,716	30%	1.7x		
Total Uses	\$5,791	100.0%	5.7x		

Base Case Debt Schedule

	TTM	Year 1	Year 2	Year 3	Year 4	Year 5
Unlevered FCF	\$296	\$508	\$594	\$566	\$600	
Less: Mandatory Debt Paydown	(\$508)	(\$508)	(\$508)	(\$508)	(\$508)	
Cash Surplus/Shortfall After Debt Paydown	(\$212)	\$0	\$86	\$58	\$92	
Term Loan A						
Beginning Balance	\$3,557	\$3,049	\$2,541	\$2,033	\$1,524	
Mandatory Paydown	(\$508)	(\$508)	(\$508)	(\$508)	(\$508)	
Ending Balance	\$3,557	\$3,049	\$2,541	\$2,033	\$1,524	\$1,016

		IRR	
Leverage		20%	21.07%
		30%	7.62%
		40%	9.98%
		50%	12.84%
		60%	16.41%
		70%	21.07%
		80%	27.53%
			37.51%

		MOIC	
Leverage		20%	2.6x
		30%	1.4x
		40%	1.6x
		50%	1.8x
		60%	2.1x
		70%	2.6x
		80%	3.4x
			4.9x



Leveraged Buyout Assumptions (2/2)

Base case LBO results in a 2.6x MOIC and 21.1% IRR, assuming a 5-year holding period and a 5.7x entry and exit multiple

Base Case Sensitivity Analysis

Enterprise Value

	TTM	Year 1	Year 2	Year 3	Year 4	Year 5
Exit Multiple						
4.7x		\$4,451	\$5,057	\$5,672	\$5,651	\$5,924
5.2x		\$4,924	\$5,595	\$6,276	\$6,252	\$6,554
5.7x		\$5,397	\$6,133	\$6,879	\$6,854	\$7,184
6.2x		\$5,871	\$6,671	\$7,483	\$7,455	\$7,814
6.7x		\$6,344	\$7,209	\$8,086	\$8,056	\$8,444

MOIC

	TTM	Year 1	Year 2	Year 3	Year 4	Year 5
Exit Multiple						
4.7x		0.6x	1.1x	1.5x	1.7x	2.1x
5.2x		0.8x	1.3x	1.8x	2.0x	2.3x
5.7x		1.0x	1.5x	2.0x	2.2x	2.6x
6.2x		1.2x	1.7x	2.3x	2.5x	2.9x
6.7x		1.4x	2.0x	2.6x	2.8x	3.1x

Equity Value

	TTM	Year 1	Year 2	Year 3	Year 4	Year 5
Exit Multiple						
4.7x		\$1,402	\$2,516	\$3,640	\$4,127	\$4,907
5.2x		\$1,875	\$3,054	\$4,243	\$4,728	\$5,538
5.7x		\$2,349	\$3,592	\$4,847	\$5,329	\$6,168
6.2x		\$2,822	\$4,130	\$5,450	\$5,930	\$6,798
6.7x		\$3,296	\$4,668	\$6,053	\$6,532	\$7,428

IRR

	TTM	Year 1	Year 2	Year 3	Year 4	Year 5
Exit Multiple						
4.7x		(40.9%)	3.0%	15.4%	14.9%	15.7%
5.2x		(20.9%)	13.5%	21.4%	18.8%	18.5%
5.7x		(1.0%)	23.1%	26.9%	22.4%	21.1%
6.2x		19.0%	32.0%	32.0%	25.8%	23.4%
6.7x		39.0%	40.3%	36.7%	28.8%	25.7%



DALIS

DALHOUSIE INVESTMENT SOCIETY

