

## Frontier Reports Operating Profit And Bankruptcy Progress

Frontier Airlines Holdings reported its fifth consecutive monthly operating profit in March, marking a "diligence" phase with numerous potential investors who might provide financing in the next few months this year.

Sean Menke, president and CEO of the Denver-based low-cost carrier, said that he is in a "multiple parties at different levels." "The vast majority of them are on the investment side, and we think Frontier would continue as a stand-alone carrier.

But Menke said some "potential strategic players" also are interested, which would be a good sign. Menke is looking at late summer as the earliest Frontier, which filed for Chapter 11 bankruptcy.

But he's being cautious about giving any timetable, given the economic and airline industry conditions. "Investors are watching the decline in airline industry revenue very closely, he said. "If we're bottoming out or getting worse, before bankrolling a plan to emerge from bankruptcy, from a market perspective, it is neither getting worse nor improving.)

"Some [investors] think it is the right time to be a plan sponsor because of our liquidity position," he said. "I'm concerned about the economic environment in general," he added. Frontier has a plan in place with Republic Airways until Dec. 1 and expects it would take 90 days from the time of filing to the process to emerge from bankruptcy, Menke said.

That means the airline believes it could wait until late summer to file a plan with the court. In the meantime, "until there's a firm offer on the table, I'm on the assumption that we're going to stay in court," Menke said.

On April 28, that story consisted of the airline's March and first-quarter results. The airline reported an operating profit streak, which includes \$20.7 million in March, and its first-quarter operating profit of \$61.8 million, as well as a quarter-ending cash balance of \$71.8 million as it heads into what is thought to be a reorganization.

The airline's net loss came to \$129.9 million for March and \$161 million for the first quarter, compared with \$179.8 million in reorganization items, respectively.

Most of the latter was related to Frontier's deal in March with Republic Airways to reorganize the airline's petition, DIP financing. As a condition to the loan, Frontier agreed to allow Republic Airways to provide \$100 million in the bankruptcy court case, which shows up in that reorganization item.

Frontier also pointed to the airline's 8.5% yearover-year decline in March mainline unit costs, in spite of a nearly 20% reduction in capacity. That unit cost reduction was offset by a 12.4% drop in mainline passenger unit revenue for March, while its total unit revenue rose 1.2% thanks to ancillary revenue from various fees and fee-bundled fares.

The airline's regional subsidiary, Lynx, is only profitable on a stand-alone basis because of the traffic it feeds to Frontier's mainline. Lynx is a net contributor on an annual basis because of the traffic it feeds to Frontier's mainline. Frontier's experiment in putting a Lynx Bombardier Q400 turboprop in a mid-size aircraft configuration is working out well, and Frontier is looking into the possibility of putting the Q400s in other mainline Airbus aircraft for use elsewhere. -**Andrew Compart**, [andrew\\_compart@frontierairlines.com](#)