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## AirTran Holdings, Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions). Your first question comes from William Green with Morgan Stanley. Your line is open.

#### John – Morgan Stanley

Hi, guys, this is actually John [ph] filling in for Bill. Just a couple of questions here. First, I guess considering the – considering the fact that you're guiding to negative RASM in the first quarter, I guess I was a little surprised to see capacity down 4% which I guess is towards the upper end of your previous guidance range of down 3 to down 7 in 2009. Can you just kind of discuss what type of flexibility you have through reduced capacity further and how you're thinking about that decision with respect to the current RASM trend?

#### Arne Haak

Sure, good question. I think probably the key areas, key ability to flex has to do with aircraft sales. We expect to sell two airplanes although I would tell you that the market today is not as strong as it was six months to eight months ago. But we have the ability to adjust our utilization if we feel it's necessary. But I think at the same time I think the best indicator for us of what we're seeing in the future is if you look at where our operating income is for the fourth quarter, and you take our normal run rate of interest expense about \$20 million, we expect to produce a pretty nice numbers in the first quarter. And at the same time our total RASM number is going to add significantly to the revenue as well.

So we have some opportunity to reduce capacity if we feel necessary with a combination of oil prices today and a weak environment, it is not a bad environment for AirTran. I go back it would probably be impacted more last year than any carrier of the business, and we should probably have the most benefit as oil prices come down again. Oil made up the largest amount of our expense versus any other of the major airlines (inaudible) biggest beneficiary.

#### John – Morgan Stanley

Just so I – just so I understand you clearly, is it fair to say that you're willing to run negative RASM rates going forward as long as you maintain profitability?

#### Arne Haak

We're willing to run – absolutely because there is also a relationship between the capacity and unit costs and you got to find the balance between the two. And so, again, I would say, again, previously we had a range of 3 to 7 and I think we'll probably finish the year in the 4% to 5% range as Arne mentioned, and we think we can have, again, substantial P&L improvement if the RASM was negative, but I think also you have to look at the total RASM because again our ancillary revenues are growing significantly. I think you could see that in the quarter. They were up more than 20% and capacity down approximately 8%. So we're going to get a nice boost on the – from the ancillary of several points. You got to put that into the equation as well.

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