

Analysis of Maurice Gallagher's Compensation as Executive Chair of Allegiant Travel Company

TEAMSTER ECONOMIC REPORT



July 2024

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

Analysis of Maurice Gallagher's Compensation Package as Executive Chair of Allegiant Travel Company (July 2024)

On July 18, 2024, Allegiant announced that Maurice Gallagher would again step down from the CEO post and assume the title of Executive Chairman of the Board. He will be replaced in September by Greg Anderson, the company's current president, who will also join the board of directors.¹ Gallagher's total compensation in his new role will be \$1 million per year starting on September 1, 2024.²

What's At Stake?

While \$1 million is unusually high compensation for a member of a company's board of directors (see below), the money itself is not really the issue. That amount won't make or break Allegiant. The real problem is what it says about Gallagher's ongoing control over a company that appears to be struggling. While Gallagher is not Allegiant's founder, he did rescue it from bankruptcy in 2000 and has led the company in one form or another ever since. He owns about 13 percent of the company's outstanding shares,³ and has occupied both the Chair and CEO positions at two different points in the company's history. The \$1 million in compensation and the title of "executive" chair both suggest a very hands-on role in managing Allegiant, especially at a company where top executives occupy cubicles alongside other employees.⁴

For shareholders and others who depend on Allegiant's financial stability for their livelihood, knowing a strong, independent board oversees the company's decisions is essential. And there's plenty for these stakeholders to be worried about. Just hours after announcing the change in CEO, Allegiant canceled its 60-cent-per-share dividend, sending the company's stock into its largest one-day slide since March 2022.⁵ While Allegiant's stock recovered a bit over the next several days, at around \$52 per share it is well below its March 2021 peak of \$257.74.⁶ Among the factors dragging on the company's performance are delays associated with its purchase of new 737-MAX aircraft, problems with its new reservation system,⁷ cost overruns, and delays associated with the construction of the company's massive Sunseeker resort in Florida,⁸ and the heavy debt load that these two initiatives have placed on the company.⁹

Dropping the quarterly dividend hits Gallagher especially hard (though the generous compensation package for his new role softens the blow a bit). As the holder of approximately 2.4 million Allegiant shares,¹⁰ he has profited handsomely from the company's dividends. From 2017 through the onset of COVID-19, Allegiant paid a steady 70 cents per share quarterly dividend. It suspended dividends during the pandemic, then restarted a 60-cent dividend in August 2023.¹¹ We don't have exact data on how many shares Gallagher held on each of the four most recent dividend payment dates, but we can assume it's in the neighborhood of the 2,387,048 shares he held at the time of Allegiant's April 2024 proxy statement. That means that each of the four dividend payments would be about \$1.4 million, or a total of \$5.6 million, between August 2023 and May 2024.

Why is \$1 Million in Compensation for a Board Member So Unusual?

Gallagher's \$1 million payment as board chair is far higher than those of comparable publicly-traded airlines. (For reference, Allegiant's market capitalization as of July 29, 2024, was approximately \$933 million.) It is also far higher than the compensation granted to any other Allegiant director, who earns a \$40,000 annual base fee. In October 2022, each director was also given 10,000 shares of Allegiant stock, one-fifth of which would vest each year for five years, assuming they remained on the board.¹²

	Non-Employee Director Base Compensation	Stock Award	Additional Compensation for Board Chair	Market Capitalization ¹³
Spirit Air¹⁴	\$70,000	\$120,000	\$100,000	\$342 million
SkyWest¹⁵	\$100,000	\$0 (2024) ~\$100,000 (2023)	\$100,000	\$3.08 billion
Jet Blue¹⁶	\$80,000	\$135,000	\$50,000	\$2.11 billion
Frontier¹⁷	\$100,000	\$140,000	\$0	\$909 million

In fact, Gallagher's compensation as Executive Chair is unusual for a director of an airline of any size:

- **American Airlines**, which is about seven times larger than Allegiant by market cap, pays its board chair a base retainer of \$100,000 plus a \$350,000 stock award.
- **United Airlines**, which has a market capitalization roughly 15 times that of Allegiant, pays its board chair a \$100,000 regular retainer plus a \$225,000 equity award.¹⁸
- **Delta Airlines**, which is more than 28 times larger than Allegiant by market cap, pays its board chair a base retainer of \$180,000 plus a \$320,000 stock grant (which combined is still half the size of Gallagher's payment).¹⁹

Note that these figures may not include certain other fees paid to directors, such as extra meeting fees, a premium for chairing a board committee, and flight privileges.

A 2023 analysis by consulting firm Grant Thornton of board compensation for companies in the Russell 2000 index found average director pay was \$200,500, with some industries (energy, infrastructure, information technology, and communications) paying somewhat more and others (real estate, utilities, financials) coming in somewhat below average.²⁰

A 2022 study published by the Harvard Law School Forum on Corporate Governance found that the median value of a retainer for a board member of a company in the S&P 500 had stayed constant, at \$100,000, since 2020, while equity-based awards (stock) have crept upwards, from \$175,000 in 2020 to \$185,000 in 2022. The study estimates the median total compensation for a director was \$300,000 in 2022. The study also found that the typical (median) premium for a board chair was \$177,500 in 2022, a 161 percent premium over the "typical" director.²¹ Putting the two together, the research suggests that a typical board chair would enjoy compensation of just under \$500,000—half the amount that Gallagher is scheduled to receive.

A Strong Independent Chair Is Especially Important Given the Composition of Allegiant's Board

Gallagher does not have a formal employment agreement with the company, which is unusual for a CEO.²² That means that the compensation committee is free to decide each year how much to pay him. In one sense, that's not a great deal for Gallagher because he has no guarantees. But it also means that there are no formal criteria that guide his payment—a friendly compensation committee has broad leeway to pay him as they see fit.²³ Gallagher's compensation has bounced around quite a bit in recent years. He took no salary or bonus at all in 2021, no salary but a \$3 million bonus in 2022, and a \$187,500 salary plus a \$750,000 bonus in 2023.²⁴

So, who are the members of the compensation committee, and how close are they to Gallagher?

The compensation committee has three members: Montie Brewer, Ponder Harrison, and Charles W. Pollard. Both Brewer and Harrison have served on the board since 2009²⁵—plenty long to develop a cozy relationship with Gallagher that may interfere with vigorous oversight. Harrison was a co-founder of Allegiant and served as an executive officer and managing director from 2002 to 2009, then continued as an Allegiant consultant in 2017.²⁶ That also raises questions about the degree to which he is a truly independent director. Shareholders may have other concerns about Brewer as well. At the June 26, 2024, annual meeting, more shareholders (1.9 million) withheld votes from Brewer's reelection than for any other board member.²⁷ While he still won reelection by a comfortable margin, there must be some underlying reason for the no votes.

Just last year, shareholders raised questions about Allegiant's executive pay practices, which speaks directly to a lack of confidence in the compensation committee. At the company's 2023 annual meeting, about 42 percent of shareholders voted against the company's advisory resolution on executive compensation. The company wrote in its 2024 proxy that "our board was disappointed with the results" and reached out to shareholders to figure out why. According to the company, "Areas of concern with respect to the say-on-pay vote focused on a large 2022 cash bonus to our then chief executive officer and the commitment to make multiyear restricted stock grants to four of our named executive officers."

As a result of the concerns, no cash bonuses were paid to the four named executives in 2023, and the former CEO, John Redmond, forfeited 87 percent of his unvested stock grants.²⁸ The advisory resolution on executive compensation fared much better at the June 26, 2024, annual meeting, passing with 99 percent of the vote.²⁹ Of course, that vote came before the company slashed its dividend and announced Gallagher's new pay deal.

There are independence concerns for several of the other board members as well. Gary Ellmer and Linda Marvin have both served on the board for over a decade. Marvin was also Allegiant's Chief Financial Officer from 2001 to 2007.³⁰ Sandra Morgan, the newest board member, is the president of the Las Vegas Raiders, who play in Allegiant Stadium. The stadium itself is owned by the Las Vegas Stadium Authority.³¹ But the naming rights agreement is between the Raiders and Allegiant, according to an August 2019 Raiders press release announcing the deal.³² News reports estimate the value of the deal to be between \$20 million and \$25 million per year.³³ Allegiant Stadium also hosted the 2024 Super Bowl, with Gallagher serving as chair of the host committee and Morgan as the vice chair.³⁴ While Morgan does not benefit personally from these payments, the business where she is a top leader certainly does. The value of the payments from Allegiant to the Raiders could create a conflict of interest for a board member whose job is to scrutinize the airline's operations (or question Gallagher's compensation).

-
- ¹ Allegiant press release, “Allegiant Announced President Greg Anderson as Next CEO,” July 18, 2024, <https://ir.allegiantair.com/news/news-details/2024/Allegiant-Announces-President-Greg-Anderson-as-Next-CEO/default.aspx>
- ² Allegiant Travel Company, [Form 8-K](#) filed with the U.S. Securities and Exchange Commission, July 8, 2024.
- ³ Allegiant Travel Company, Proxy Statement (DEF-14A), April 29, 2024, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001362468/3627e55d-6492-4e24-aa28-f7300f71774f.pdf>, p. 4.
- ⁴ Scott Mayerowitz, “Quirky Allegiant Air Hits Jackpot on Small-Town America,” USA Today, June 29, 2013, <https://www.usatoday.com/story/todayinthesky/2013/06/29/quirky-allegiant-air-hits-jackpot-on-small-town-america/2472059/>.
- ⁵ Mary Schlangenstein, “Allegiant Air Tumbles After Surprise Halt in Quarterly Dividend,” Bloomberg, July 18, 2024, <https://www.bloomberg.com/news/articles/2024-07-18/allegiant-air-tumbles-after-surprise-halt-in-quarterly-dividend?embedded-checkout=true>.
- ⁶ Nasdaq website, <https://www.nasdaq.com/market-activity/stocks/alg>, accessed July 29, 2024.
- ⁷ Allegiant Travel Company SEC Form 10-K, February 29, 2024, cover letter p. xii.
- ⁸ “Was Building The Sunseeker Hotel The Craziest Thing Allegiant Air Ever Did?,” Simple Flying, May 17, 2024, <https://simpleflying.com/allegiant-sunseeker-hotel-financial-burden/>.
- ⁹ Fitch Ratings, “Fitch Revises Allegiant’s Rating Outlook to Negative; Affirms IDR at ‘BB-’,” March 13, 2024, <https://www.fitchratings.com/research/corporate-finance/fitch-revises-allegiant-rating-outlook-to-negative-affirms-idr-at-bb-13-03-2024>.
- ¹⁰ Allegiant Travel Proxy (DEF Form 14-A), *op cit.*, p. 4.
- ¹¹ Allegiant website, <https://ir.allegiantair.com/stock-info/dividend-history/default.aspx>, accessed July 29, 2024.
- ¹² Allegiant Travel Company, Proxy Statement (DEF-14A), April 29, 2024, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001362468/3627e55d-6492-4e24-aa28-f7300f71774f.pdf>, p. 16.
- ¹³ Market capitalizations are from MarketScreener.com as of July 29, 2024.
- ¹⁴ Spirit Air Proxy Statement (DEF 14-A), April 25, 2024, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001498710/d5ba0f09-27a3-4128-a76e-a8b08915a3a0.pdf>, p. 29.
- ¹⁵ SkyWest Proxy Statement (DEF 14-A), March 26, 2024, <https://inc.skywest.com/assets/Uploads/FilingReports/Skywest-2024-def14A.pdf>, p. 58.
- ¹⁶ JetBlue Proxy Statement (DEF 14-A), April 1, 2024, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001158463/d23d89cd-692a-4bd0-b6ad-522f8ba1ad6c.pdf>, p. 37.
- ¹⁷ Frontier Air Proxy Statement (DEF 14-A), <https://ir.flyfrontier.com/static-files/607fe791-85a9-4066-bf2c-bad1c59a8fac>, p. 25
- ¹⁸ United Airlines Proxy Statement (DEF 14-A), May 22, 2024, <https://ir.united.com/static-files/bcf67e78-4d76-461d-8ca3-0aec19166591>, p. 64.
- ¹⁹ Delta Airlines, Proxy Statement (DEF-14A), April 26, 2024, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000027904/a73b6343-906f-43e0-94b6-dc6561ee3732.pdf>, p. 60.
- ²⁰ Grant Thornton, “Board compensation: 4 key trends from 2023 proxy filings.” August 16, 2023, <https://www.grantthornton.com/insights/articles/tax/2023/board-compensation-4-key-trends-from-2023-proxy-filings>.
- ²¹ Linda Pappas, Christine Skizas, and Olivia Wakefield, Pay Governance LLC, posted on the Harvard Law School Forum on Corporate Governance, “Trends in S&P 500 Board of Director Compensation,” February 29, 2024, <https://corpgov.law.harvard.edu/2024/02/29/trends-in-sp-500-board-of-director-compensation/>.
- ²² Allegiant Travel Proxy (DEF Form 14-A), *op cit.*, p. 23.
- ²³ Allegiant Travel Proxy (DEF Form 14-A), *op cit.*, p. 28.
- ²⁴ Allegiant Travel Proxy (DEF Form 14-A), *op cit.*, p. 28.
- ²⁵ Allegiant Travel Proxy (DEF Form 14-A), *op cit.*, p. 8-9.
- ²⁶ Comvest Partners website, <https://comvest.com/team-members/ponder-harrison/>, accessed July 29, 2024. Allegiant Travel Proxy (DEF Form 14-A), *op cit.*, p. 8.
- ²⁷ Allegiant Travel Company, [Form 8-K](#) filed with the U.S. Securities and Exchange Commission, June 26, 2024.

²⁸ Allegiant Travel Company, SEC Form DEF-14A (proxy statement), April 29, 2024, p. 22.

²⁹ Allegiant Travel Company, [Form 8-K](#) filed with the U.S. Securities and Exchange Commission, June 26, 2024.

³⁰ Allegiant Travel Proxy (DEF Form 14-A), *op cit.*, p. 8-9.

³¹ “Who Owns Allegiant Stadium? Here’s Everything to Know About the Las Vegas Raiders Stadium,” Pro Football Network, February 11, 2024, <https://www.profootballnetwork.com/who-owns-allegiant-stadium-nfl-2024/>.

³² Las Vegas Raiders website, “Raiders, Allegiant Agree on Naming Rights Deal for Las Vegas Stadium,” August 5, 2019, <https://www.raiders.com/news/raiders-allegiant-agree-on-naming-rights-deal-for-las-vegas-stadium>.

³³ “Raiders Confirm Allegiant Naming Rights Deal for Las Vegas Stadium,” Sports Pro, August 6, 2019, <https://www.sportspromedia.com/news/oakland-raiders-allegiant-stadium-las-vegas-naming-rights-deal/>.

³⁴ Las Vegas Super Bowl Host Committee website, <https://lvsuperbowlhc.com/las-vegas-super-bowl-host-committee>, accessed July 29, 2024.