Tracking the Impacts of COVID-19

Updated July 25, 2020
COVID-19 Has Forced Several Airlines Across the Globe to Restructure or Cease Operations
Airline Bankruptcies and/or Shutdowns From March 1 to Present

United States
Compass Airlines
Miami Air International
RavnAir Group
Trans States Airlines

Outside the USA
Aeromexico (Mexico)
Air Mauritius (Mauritius)
Alitalia (Italy)
Avianca (Colombia)
Comair (South Africa)
Flybe (UK)
German Airways (Germany)
Germanwings (Germany)
LATAM (Chile)
South African (S. Africa)
Thai Airways (Thailand)
TAME (Ecuador)
Virgin Australia (Australia)

Source: A4A research
New Cases of COVID Resumed Surging in the United States in mid-June

U.S. Cases Surpassed 60,000 per Day in July

Source: World Health Organization and U.S. Centers for Disease Control and Prevention
The consensus among health experts is that the pandemic may now be at or near its peak in some regions, but **COVID-19 will remain a threat until a vaccine or effective drug treatment is made widely available, which may not occur until the second half of 2021.**

S&P Global GDP Growth Forecasts* for 2020

- USA: -5.0%
- China: -7.8%
- Eurozone: -8.1%
- UK: -4.9%
- Japan: -5.0%
- India: -7.0%
- Brazil: -3.8%
- World: 1.2%

Source: Standard & Poor’s, “The Global Economy Begins A Slow Mend As COVID-19 Eases Unevenly, (July 1, 2020)
We Are Unlikely to See a Return to 2019 Passenger Volumes Before 2023
Revenues Will Take Even Longer to Recover

“[C]urrent traffic trends are below what we had previously forecast…and the resurgence of COVID-19 in some areas of the US adds uncertainty around potential further travel restrictions. We are now incorporating a significantly less steep recovery to 2019 levels of demand, particularly for corporate/international markets. As such, we materially reduce our forecasts through 2022.”

Goldman Sachs: U.S. Airline Industry Passengers vs. 2019 Levels*

Source: Goldman Sachs, “Expecting slower demand recovery, but positive on long-term industry profitability” (June 28, 2020)
For U.S. Airlines Passenger Volumes* Remain 75 Percent Below Year-Ago Levels
In Week Ending July 19 – Domestic Air Travel Down 73 Percent, International Down Down 90 Percent

7-Day Rolling Year-Over-Year Change (%) in Onboard Passengers

Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)

* Onboard (“segment”) passengers
For U.S. Passenger Airlines, Worldwide Departures Remain 51 Percent Below 2019 Levels
In Week Ending July 19 – Domestic Flights Down 48 Percent, International Flights Down 79 Percent

Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)
Despite Schedule Cuts, Domestic Flights Averaging Far Fewer Passengers Than a Year Ago

7-Day Moving Average Onboard Passengers* per Domestic U.S. Flight

Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)

* Onboard ("segment") passengers
Domestic U.S. Load Factor Averaged 46% in Most Recent Week, Versus 89% a Year Earlier

Weekly Average Domestic Load Factor* (%)

Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners) * Revenue passenger miles divided by available seat miles
In the Week Ending July 19, U.S. Carrier International Flights Averaged 71 Passengers*

* Onboard ("segment") passengers

Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)
For U.S. Airlines, Decline in Passenger Traffic Continuing to Exceed Capacity Cuts*
Airlines Are Struggling to Keep Pace With the Severe Drop in Demand for Air Travel

7-Day Rolling Year-Over-Year Change (%) in Systemwide Traffic and Capacity

Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)

* RPM = revenue passenger mile; ASM = available seat mile
TSA Checkpoint Traveler Throughput* Down 74 Percent Year Over Year
Daily Average Bottomed Out at 95K in April 11-17

TSA Traveler Throughput: 7-Day Moving Average (in Thousands)

January 5.5%
February 2.1%
March (50%)
April (95%)
May (90%)
June (81%)

Source: Transportation Security Administration

* U.S. and foreign carrier customers traversing TSA checkpoints; 2019 is year-ago same weekday.
Travel to the State of Hawaii* Is Almost Nonexistent – Down 95 Percent Year Over Year

On March 26, the State of Hawai‘i initiated a mandatory 14-day self-quarantine for all passengers arriving from out of state. (On April 1, it was expanded to include interisland travel.)

Source: Hawaii Department of Business, Economic Development & Tourism

* Daily passenger counts include returning residents, intended residents and visitors but exclude interisland and Canada passengers.
Demand* for Future U.S. Air Travel Plateaued in June
Net Booked* Passengers Down 81 Percent, Revenue Down 91 Percent

Year-Over-Year Change (%) in 7-Day Rolling Net Bookings*

* Sales transactions minus refunds, for all future travel up to 330 days out.
Apart From Latin America, U.S. International Air Cargo Saw Deep Declines in April
Domestic Air Cargo Improved Nicely in May

% Change YOY in Air Cargo* Between the United States and World Areas – U.S. and Foreign Airlines

Source: Bureau of Transportation Statistics, T1 (U.S. carriers) and T-100 International Market (U.S. and foreign flag carriers)

* Pounds of freight and mail enplaned in scheduled and nonscheduled services
Airlines Are Taking a Wide Variety of Self-Help Actions to Reduce Cash Burn

Selected Examples of Actions to Improve Cash Flow From Operations, Investing and Financing

» Making historic capacity cuts, parking and/or retiring older aircraft (and, in some cases, entire fleet types)
» Utilizing passenger planes on cargo-only missions, either belly-only or belly and main cabin
» Cutting executive compensation and implementing voluntary leave and early retirement programs
» Freezing hiring and non-essential spending (e.g., employee travel, consultants, events, marketing, training)
» Consolidating footprint at airport facilities (e.g., concourses); shuttering lounges; halting real estate projects
» Simplifying onboard product (e.g., food and beverage)
» Negotiating with vendors: cobranded credit cards, airports (i.e., zero-interest rent deferrals), regional airline partners (i.e., reduced block hours), fuelers, caterers, etc. to achieve relief on payment terms/timing
» Deferring aircraft deliveries and reducing non-aircraft (e.g., ground equipment, IT) capital expenditures
» Raising funds via capital markets: borrowing funds via unsecured or secured loans and/or selling stock
» Selling/mortgaging aircraft/engines/other assets
» Suspending capital return programs, including share repurchases and the payment of future dividends

Source: A4A and member companies
One-Third of the U.S. Passenger Airline Fleet Remains Idle
Peak Occurred in Mid-May

U.S. Passenger Airlines: Idled Aircraft*

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Aircraft</th>
<th>% of Active Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-Dec</td>
<td>300</td>
<td>5</td>
</tr>
<tr>
<td>31-Jan</td>
<td>353</td>
<td>6</td>
</tr>
<tr>
<td>29-Feb</td>
<td>316</td>
<td>5</td>
</tr>
<tr>
<td>31-Mar</td>
<td>1,171</td>
<td>19</td>
</tr>
<tr>
<td>30-Apr</td>
<td>3,002</td>
<td>49</td>
</tr>
<tr>
<td>18-May</td>
<td>3,204</td>
<td>52</td>
</tr>
<tr>
<td>31-May</td>
<td>2,991</td>
<td>49</td>
</tr>
<tr>
<td>30-Jun</td>
<td>2,403</td>
<td>39</td>
</tr>
<tr>
<td>19-Jul</td>
<td>1,977</td>
<td>32</td>
</tr>
</tbody>
</table>

* Idle defined as inactive for the previous seven days

Source: masFlight
U.S. Airlines Have Kept the Lion’s Share of Older Aircraft and/or Widebodies Grounded
Smaller Aircraft Proving More Suitable to a Deflated, Domestic-Oriented Air-Travel Marketplace

U.S. Passenger Airlines: % of Fleet Idled by Aircraft Type as of June 30, 2020*

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>% Idled</th>
</tr>
</thead>
<tbody>
<tr>
<td>M80</td>
<td>100</td>
</tr>
<tr>
<td>M90</td>
<td>100</td>
</tr>
<tr>
<td>SF3</td>
<td>88</td>
</tr>
<tr>
<td>767</td>
<td>86</td>
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<tr>
<td>777</td>
<td>79</td>
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<tr>
<td>330</td>
<td>73</td>
</tr>
<tr>
<td>757</td>
<td>72</td>
</tr>
<tr>
<td>ATR</td>
<td>69</td>
</tr>
<tr>
<td>787</td>
<td>51</td>
</tr>
<tr>
<td>717</td>
<td>44</td>
</tr>
<tr>
<td>ERJ</td>
<td>43</td>
</tr>
<tr>
<td>32S</td>
<td>37</td>
</tr>
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<td>CRJ</td>
<td>36</td>
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<td>T12</td>
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<td>350</td>
<td>31</td>
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<tr>
<td>737</td>
<td>31</td>
</tr>
<tr>
<td>EMJ</td>
<td>26</td>
</tr>
<tr>
<td>BNI</td>
<td>25</td>
</tr>
<tr>
<td>DH8</td>
<td>12</td>
</tr>
<tr>
<td>CNA</td>
<td>10</td>
</tr>
<tr>
<td>220</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: masFlight

* Idle defined as inactive for the previous seven days
Lower Jet-Fuel Prices Have Provided Some Cost Relief, But Rising Again With More Flying

Price of Jet Fuel (U.S. Gulf Coast, $ per Gallon)

Sources: Energy Information Administration (EIA) Weekly Petroleum Status Report

Airlines for America
We Connect the World
Decline in Demand for Air Transportation Has Meant Greatly Reduced Jet-Fuel Consumption

% Change YOY in U.S. Airline Industry Fuel Consumption

Source: Bureau of Transportation Statistics F41 Schedule P12A, all services
### U.S. Airlines Are Facing an Elevated Breakeven Load Factor Throughout 2020

In April-September 2020, Even a Load Factor of 100 Percent Would Not Suffice

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**Breakeven Load Factor**

<table>
<thead>
<tr>
<th>Year</th>
<th>2019A</th>
<th>1Q20A</th>
<th>2Q20E</th>
<th>3Q20F</th>
<th>4Q20F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Load Factor (%)</td>
<td>75.9</td>
<td>78.5</td>
<td>126.9</td>
<td>106.4</td>
<td>88.5</td>
</tr>
</tbody>
</table>

*Calculation excludes CARES Act payroll support program funds*

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Source: Wolfe Research estimates and filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United
Collectively, U.S. Airlines Will Burn Cash Through the Remainder of 2020
Lower Burn Rate Depends on Progress in Reducing Costs and Timeline for Return of Travel Demand

Source: A4A, BofA Global Research and Wolfe Research

Estimated Monthly Cash Burn* (in Billions), U.S. Passenger Airlines

Source: A4A, BofA Global Research and Wolfe Research

* Ticket and cargo sales - cash operating expenses - cash refunds - capital expenditures - interest expense – repayment of debt
COVID-19 Will Leave U.S. Carriers Highly Leveraged, Reversing Years of Progress for Most
Total Debt Projected to Increase 50 Percent From End of 2019 to End of 2020

“For 2021 and beyond, we anticipate a major deleveraging cycle as the industry will have no choice but to address its significant debt load.” (Deutsche Bank, “Airline Industry Update,” July 1, 2020)

Source: Wolfe Research and filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

* Net debt divided by EBITDA (earnings before interest, taxes, depreciation and amortization)
In 2020, S&P Has Lowered Its Credit Ratings on Every U.S. Passenger Airline*
Ratings Actions Taken to Reflect Weakened Financial Condition and Heightened Risk

<table>
<thead>
<tr>
<th>Airline</th>
<th>Rating 15-Mar</th>
<th>Rating 14-Jul</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>BBB+</td>
<td>CCC-</td>
</tr>
<tr>
<td>Allegiant</td>
<td>BBB</td>
<td>B-</td>
</tr>
<tr>
<td>American</td>
<td>BB</td>
<td>B-</td>
</tr>
<tr>
<td>Delta</td>
<td>BB+</td>
<td>B-</td>
</tr>
<tr>
<td>Hawaiian</td>
<td>BBB-</td>
<td>B-</td>
</tr>
<tr>
<td>JetBlue</td>
<td>BB+</td>
<td>B-</td>
</tr>
<tr>
<td>Southwest</td>
<td>A-</td>
<td>D</td>
</tr>
<tr>
<td>Spirit</td>
<td>BB-</td>
<td>B-</td>
</tr>
<tr>
<td>United</td>
<td>B+</td>
<td>B-</td>
</tr>
</tbody>
</table>

Source: Standard & Poor's

* Publicly traded U.S. carriers in S&P Global coverage universe.
“On 8 June, the...National Bureau of Economic Research made official what we already knew: February marked the end of the longest...US economic expansion on record... Yet this also may prove to be the briefest recession on record...

We still expect a grudging recovery, with GDP ...not surpassing the previous peak (as of Q4 2019) until mid-2022, and with the economy not regaining full employment until late 2023.”
After 9/11 and the Global Financial Crisis, It Took Years for Air-Travel Demand to Recover

Passenger Volumes Took More Than Seven Years to Recover From the Financial Crisis/Oil Spike

Four-Quarter Rolling Passenger Volume (Millions) and Operating Revenues (Billions)

Source: A4A Passenger Airline Cost Index and Bureau of Transportation Statistics (Form 41 Schedule T1)
After 9/11 and the Global Financial Crisis, it took years for air-cargo demand* to recover. Cargo volumes took 10 years to recover from the financial crisis/oil spike.

Four-Quarter Rolling Air Cargo Revenue Ton Miles (Billions)

Source: Bureau of Transportation Statistics (Form 41 Schedule T1)

* Cargo revenue ton miles (RTMs) flown on U.S. passenger and cargo-only airlines in scheduled and nonscheduled services.
Zoom’s Market Value Exceeds That of All U.S. Passenger Airlines Combined

Equity Market Capitalization (Billions)

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Capitalization (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoom</td>
<td>$69.6</td>
</tr>
<tr>
<td>Clorox</td>
<td>$28.6</td>
</tr>
<tr>
<td>US Pax Airlines*</td>
<td>$61.6</td>
</tr>
<tr>
<td>FedEx</td>
<td>$43.2</td>
</tr>
<tr>
<td>UPS</td>
<td>$83.3</td>
</tr>
</tbody>
</table>

Source: Google Finance (July 24, 2020)

* Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United
Key Points

» In the first two months of 2020, operating revenues grew more than 5 percent – we were on our way to another record.

» After burning ~$10B per month of cash in late March, U.S. airlines are burning over $5B per month in summer 2020.

» Air travel took 3 years to recover from 9/11 and 7+ years from the global financial crisis. Air cargo took 10 years post-GFC.

» When traffic returns, low-yield (VFR, then vacationers) is likely to return faster than high-yield (corporate) and international, with implications for the pace of revenue recovery, the need for cost reduction/containment, and the return to profitability.
  ▪ Businesses first cut back hiring and travel and entertainment; in a recovery, those are the last things they restore. These travelers are essential due to how often they fly and the cabins/fares they purchase, among other reasons.

» People will be reluctant to travel – or even to book travel – until there is a strong degree of confidence that the health crisis and associated risks are behind us. The COVID-19 global pandemic constitutes a black swan-like public health crisis that will only be solved once an effective vaccine is developed, but vaccines usually take a year or longer to develop.

» In addition to concerns about the spread of the virus and the associated restrictions on the movements of citizens, businesses and consumers are facing a sharp global economic downturn of unknown duration.
  ▪ The economic and consumer psychology effects of COVID-19 are deep and global.
  ▪ High unemployment and reduced HHNW worth + strained government coffers = curtailed travel budgets for households and organizations.

» Once demand has recovered, it will take years for airlines to retire the newly accumulated billions of dollars of debt and to address the sizable associated interest expense, limiting their wherewithal to rehire and reinvest.
Airlines Take Action

U.S. airlines are taking substantial, proactive steps to protect passengers throughout this COVID-19 global pandemic, and we’re calling on everyone — from gate agents, pilots, flight cabin crew, to the passengers - to work together to protect each other.

Below are some resources on what it means to Fly Healthy and Fly Smart.

> See our "Fly Healthy. Fly Smart." infographic.