



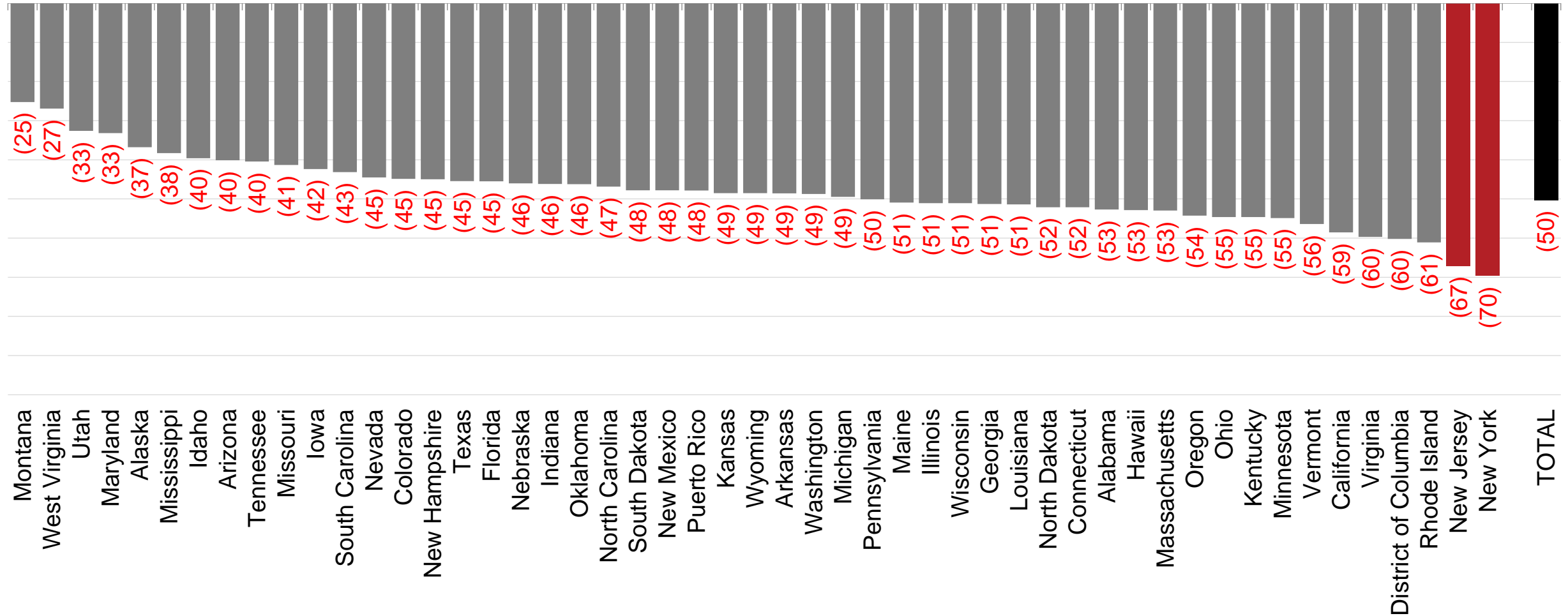
**Airlines for America<sup>®</sup>**  
We Connect the World

## Tracking the Impacts of COVID-19

Updated August 13, 2020

# In July, New York and New Jersey Saw the Biggest Reductions in Scheduled Flights

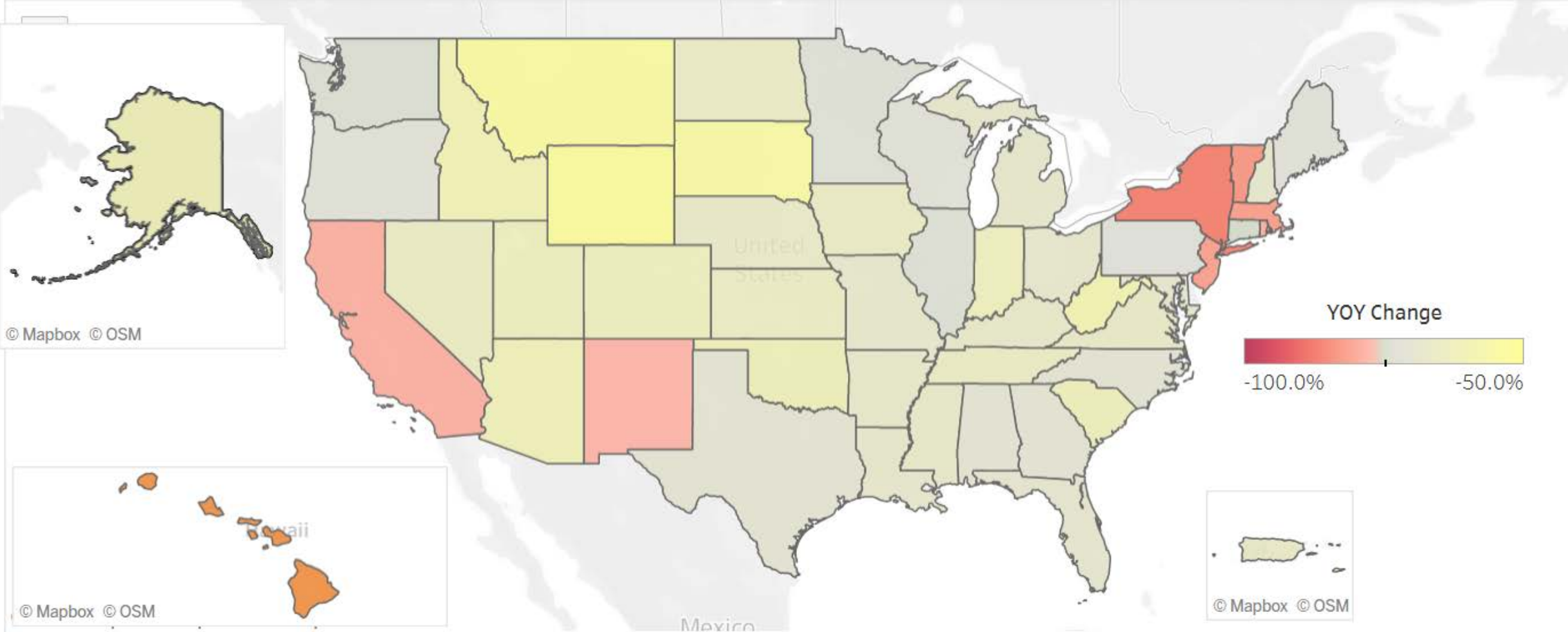
## Percent Change in Scheduled Departures by State: July 2020 vs. July 2019



Source: Diio by Cirium published schedules as of July 31, 2020, for all airlines providing scheduled service to all destinations

# In July, TSA Checkpoint Volumes Declined Most in New York, Hawaii, DC, Vermont and MA/NJ

## % Change in Traveler Throughput by U.S. State – July 2020 vs. July 2019



Source: TSA

# COVID-19 Has Forced Several Airlines Across the Globe to Restructure or Cease Operations

## Airline Bankruptcies and/or Shutdowns From March 1 to Present

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### United States

Compass Airlines  
Miami Air International  
RavnAir Group  
Trans States Airlines

### Outside the USA\*

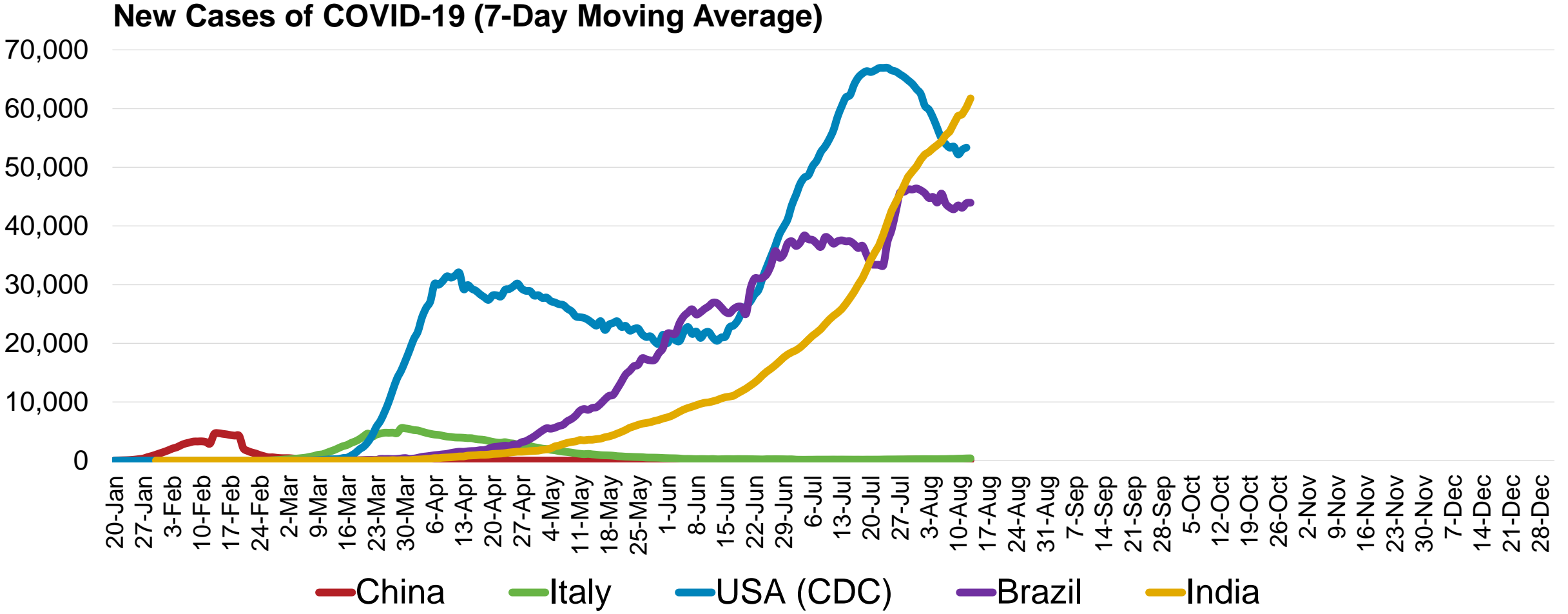
Aeromexico (Mexico)  
Air Mauritius (Mauritius)  
Alitalia (Italy)  
Avianca (Colombia)  
Comair (South Africa)  
Flybe (UK)  
German Airways (Germany)  
Germanwings (Germany)  
LATAM (Chile)  
South African (S. Africa)  
Thai Airways (Thailand)  
TAME (Ecuador)  
Virgin Australia (Australia)

Source: A4A research

\* UK-based Virgin Atlantic filed Chapter 15 in the United States, a “a solvent restructuring of an English company”

# New U.S. Cases of COVID Surged in Mid-June, Leveled Off in Late July

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



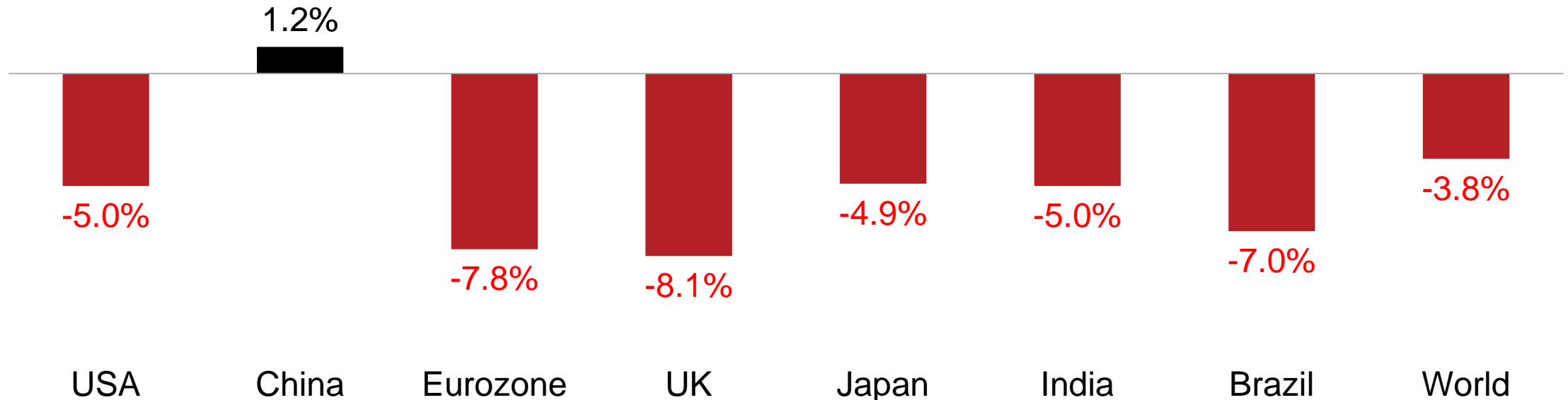
Source: World Health Organization and U.S. Centers for Disease Control and Prevention

# The World Economy Is Projected to Shrink Nearly 4 Percent in 2020

## Revenues Will Take Even Longer to Recover

“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



Source: Standard & Poor's, "The Global Economy Begins A Slow Mend As COVID-19 Eases Unevenly, (July 1, 2020)

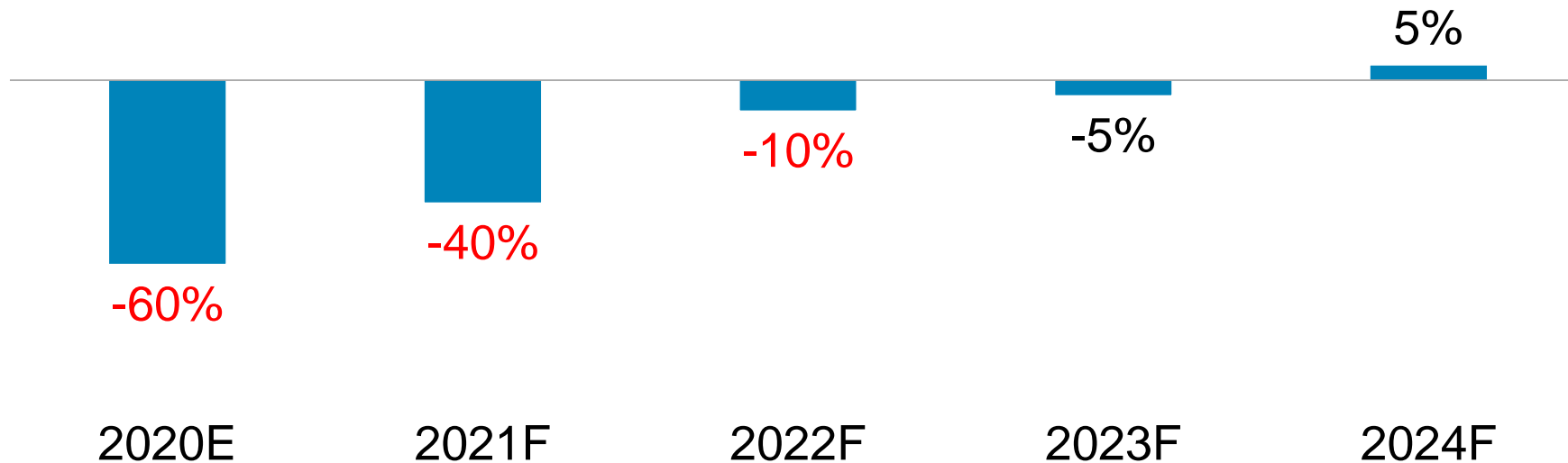
\* S&P Global Economics and Oxford Economics

# We Are Unlikely to See a Return to 2019 Passenger Volumes Before 2023-2024

## 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.**” \*

Estimated U.S. Airline Industry Passenger Traffic vs. 2019 Levels

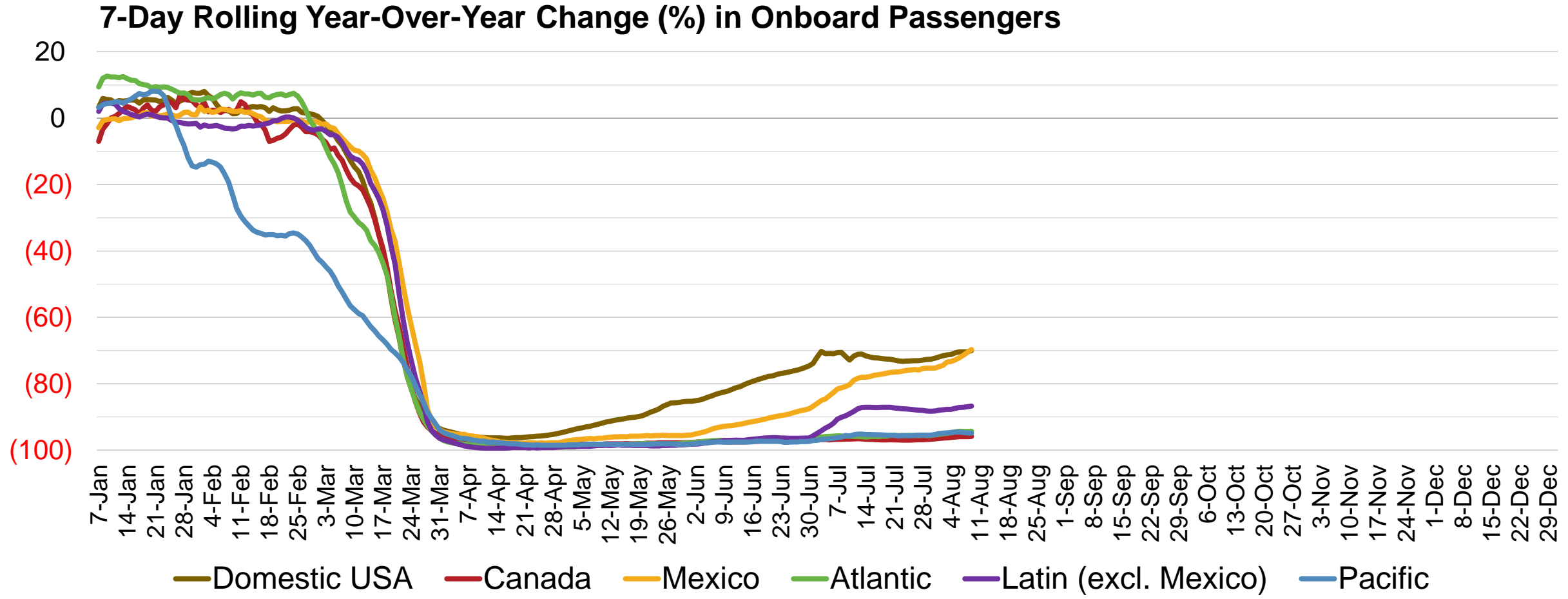


Source: A4A, Goldman Sachs and Wolfe Research

\* Goldman Sachs, “Expecting slower demand recovery, but positive on long-term industry profitability” (June 28, 2020)

# For U.S. Airlines Passenger Volumes\* Remain 73 Percent Below Year-Ago Levels

In Week Ending August 9 – Domestic Air Travel Down 70 Percent, International Down 88 Percent



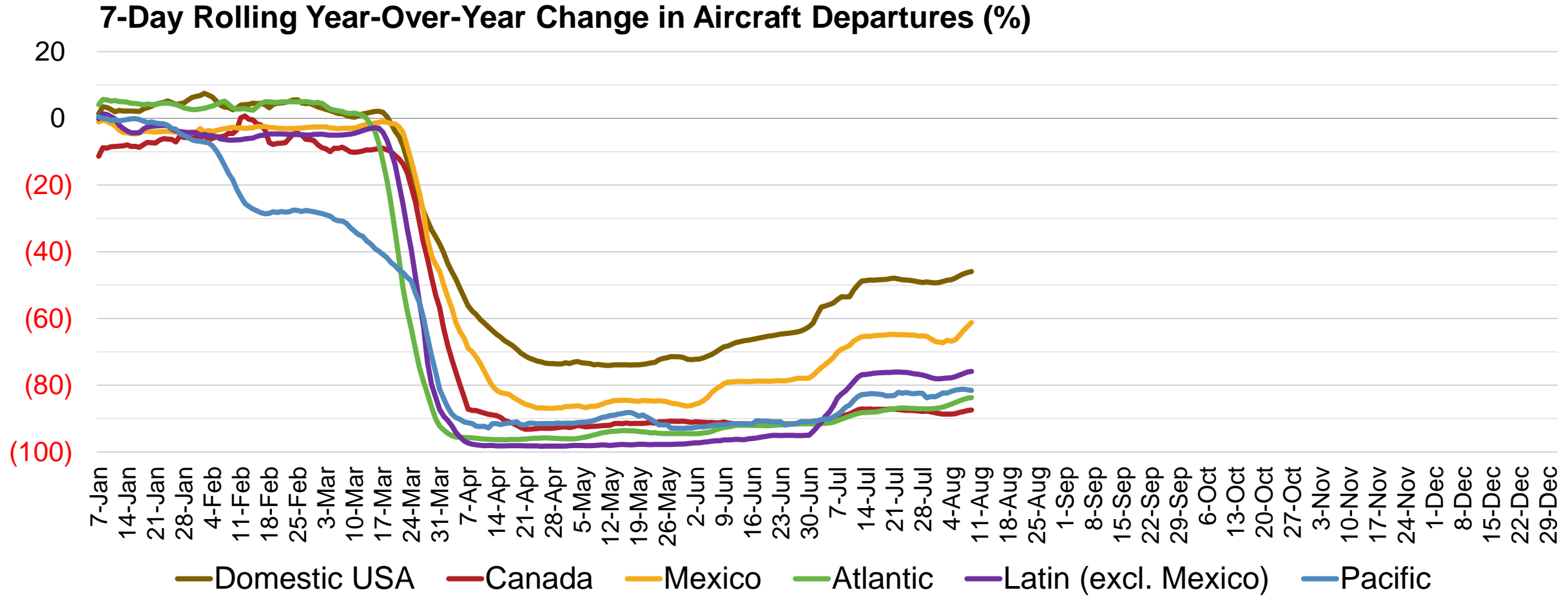
Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)

\* Onboard (“segment”) passengers



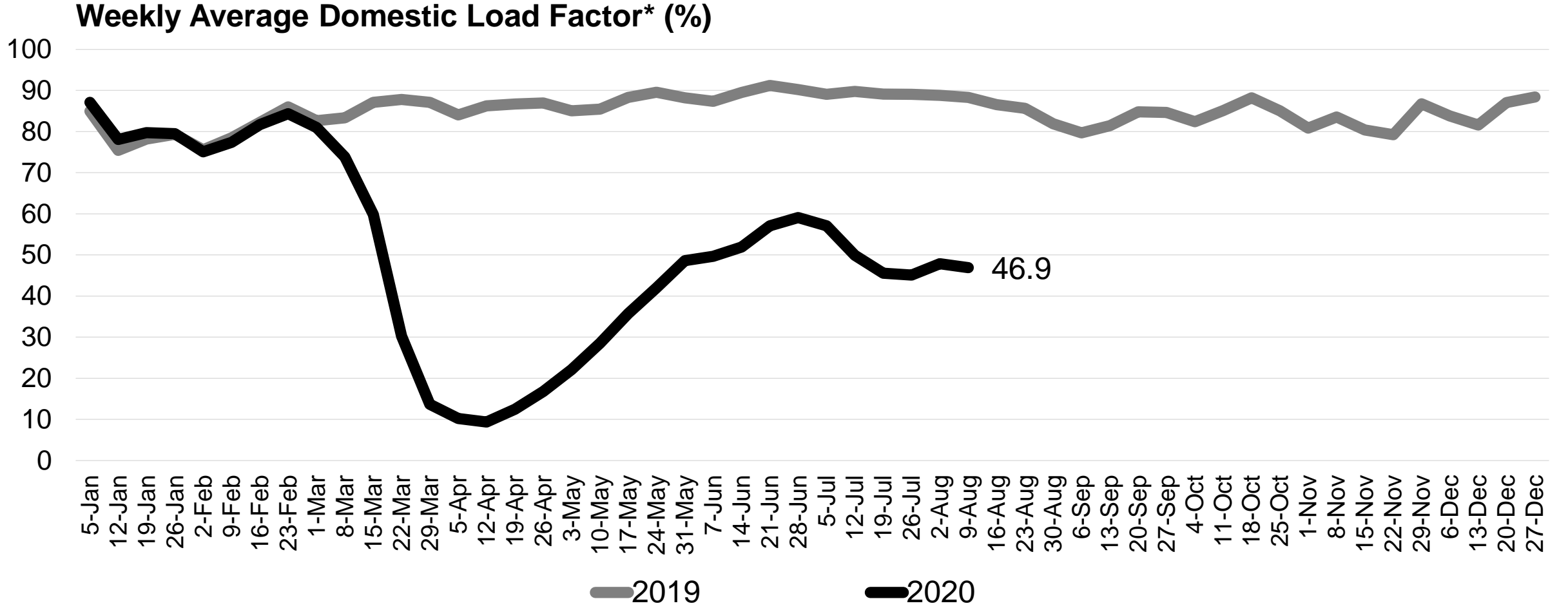
# For U.S. Passenger Airlines, Worldwide Departures Remain 49 Percent Below 2019 Levels

## In Week Ending August 9 – Domestic Flights Down 46 Percent, International Flights Down 77 Percent



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

# Domestic U.S. Load Factor Averaged 47% in Most Recent Week, Versus 88% a Year Earlier

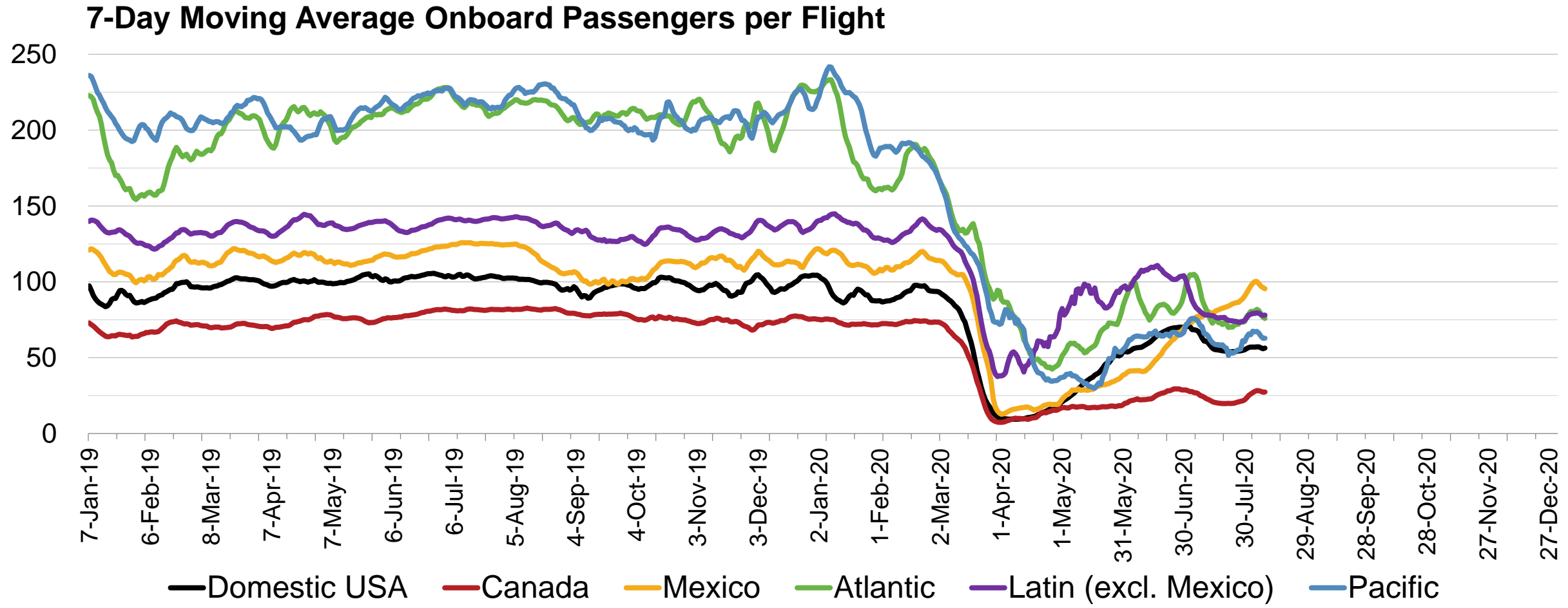


Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)

\* Revenue passenger miles divided by available seat miles

# In the Week Ending August 9, Domestic U.S. Flights Averaged 56 Passengers\*

## Domestic Flights Averaged ~99 Passengers per Departure Over the Course of 2019



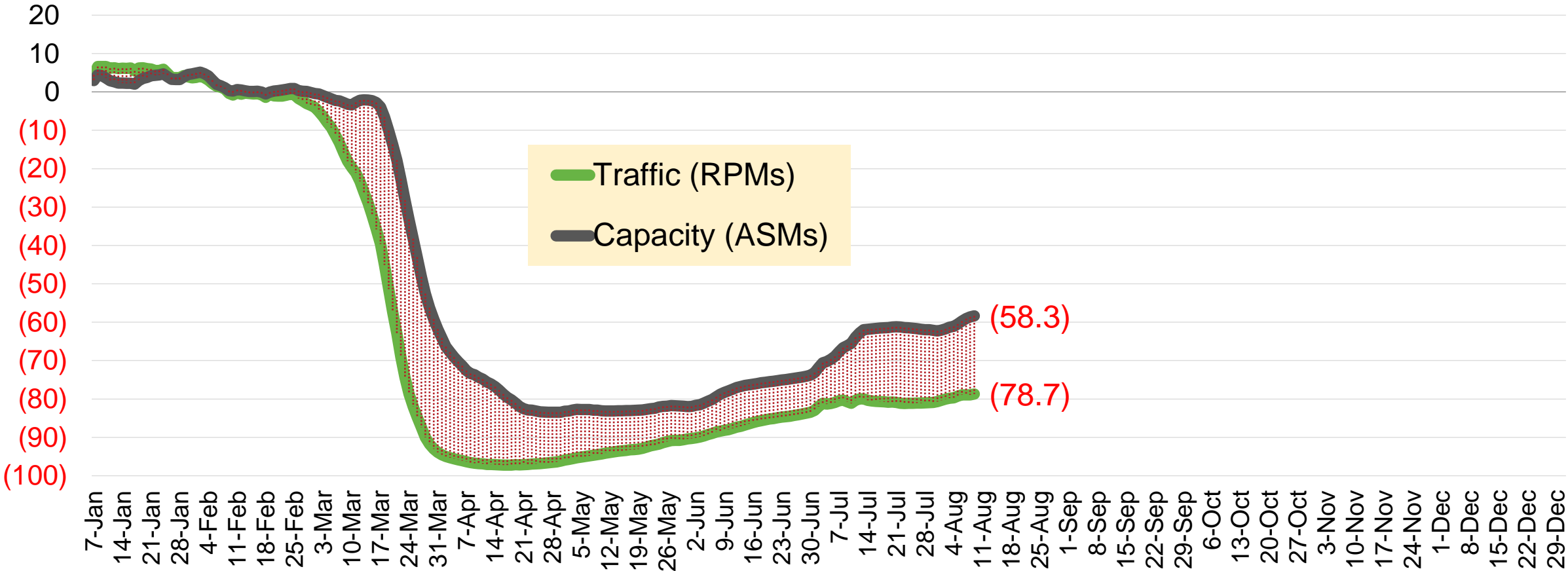
Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)

\* Onboard ("segment") passengers

# For U.S. 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



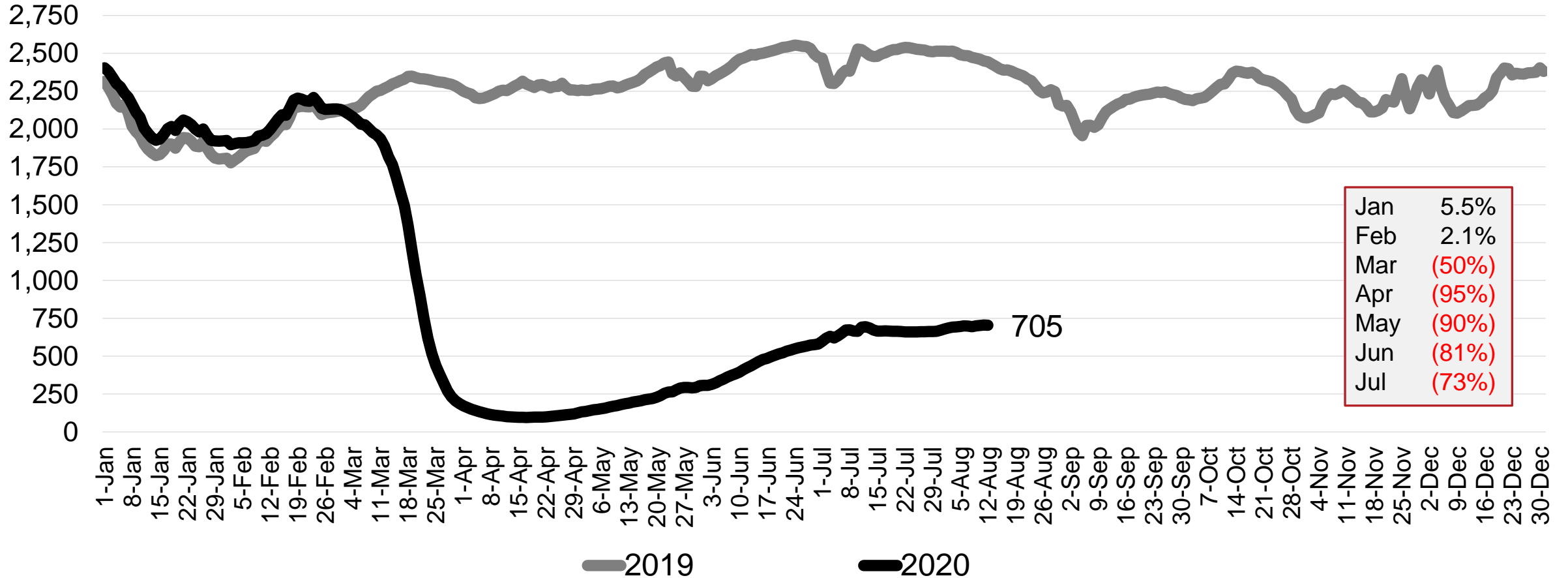
Source: A4A member passenger airlines as reported to A4A on a consolidated company basis (including branded code share partners)

\* RPM = revenue passenger mile; ASM = available seat mile

# TSA Checkpoint Traveler Throughput\* Down 71 Percent Year Over Year

Daily Average Bottomed Out at 95K in April 11-17

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

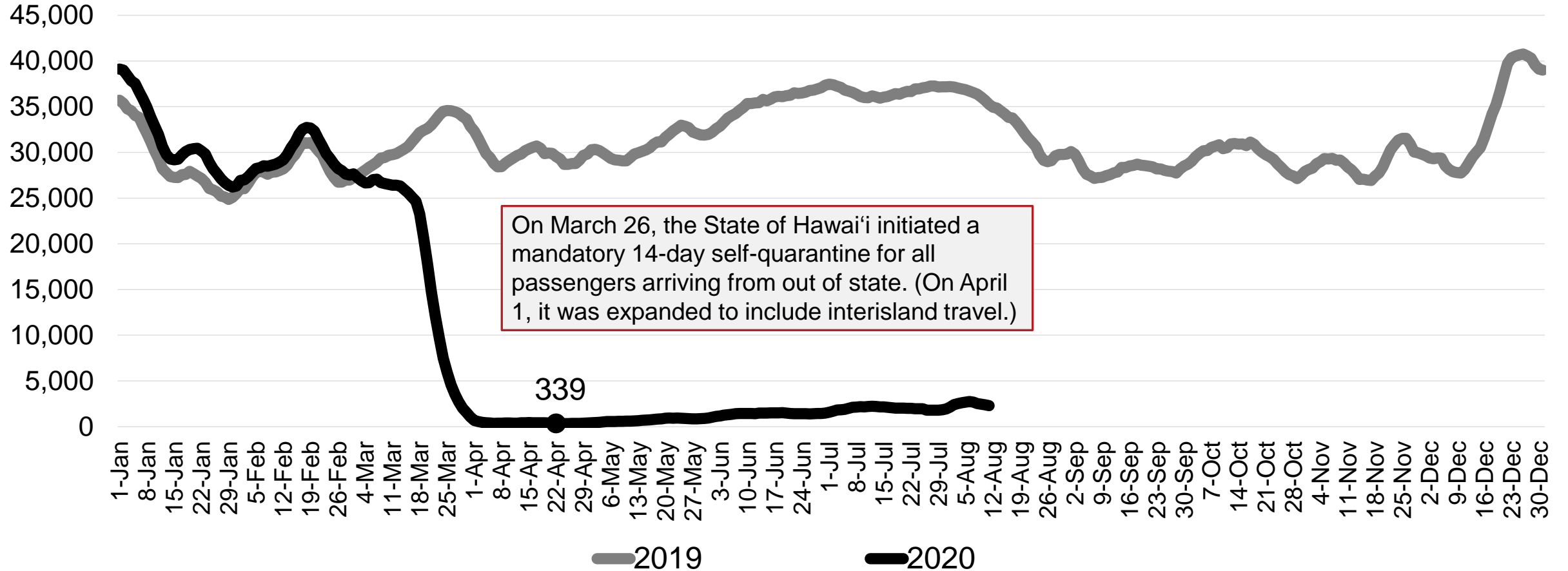


Source: Transportation Security Administration

\* 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 93 Percent Year Over Year

## Air Travel to Hawaii: 7-Day Moving Average\*

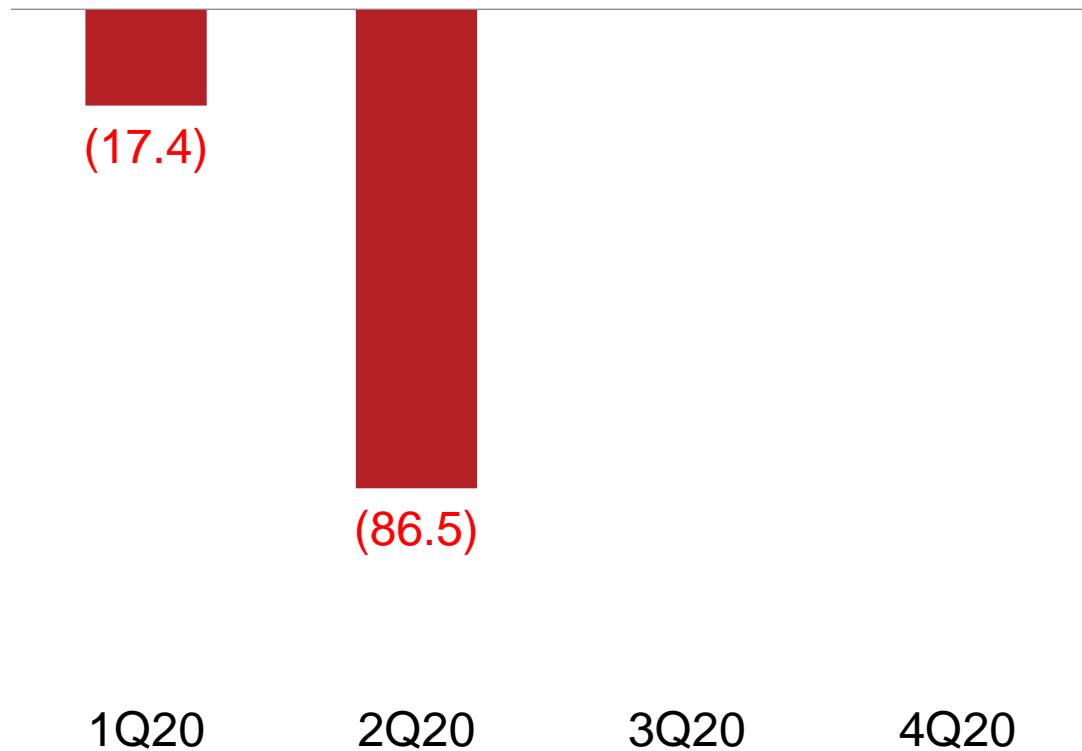


Source: Hawaii Department of Business, Economic Development & Tourism

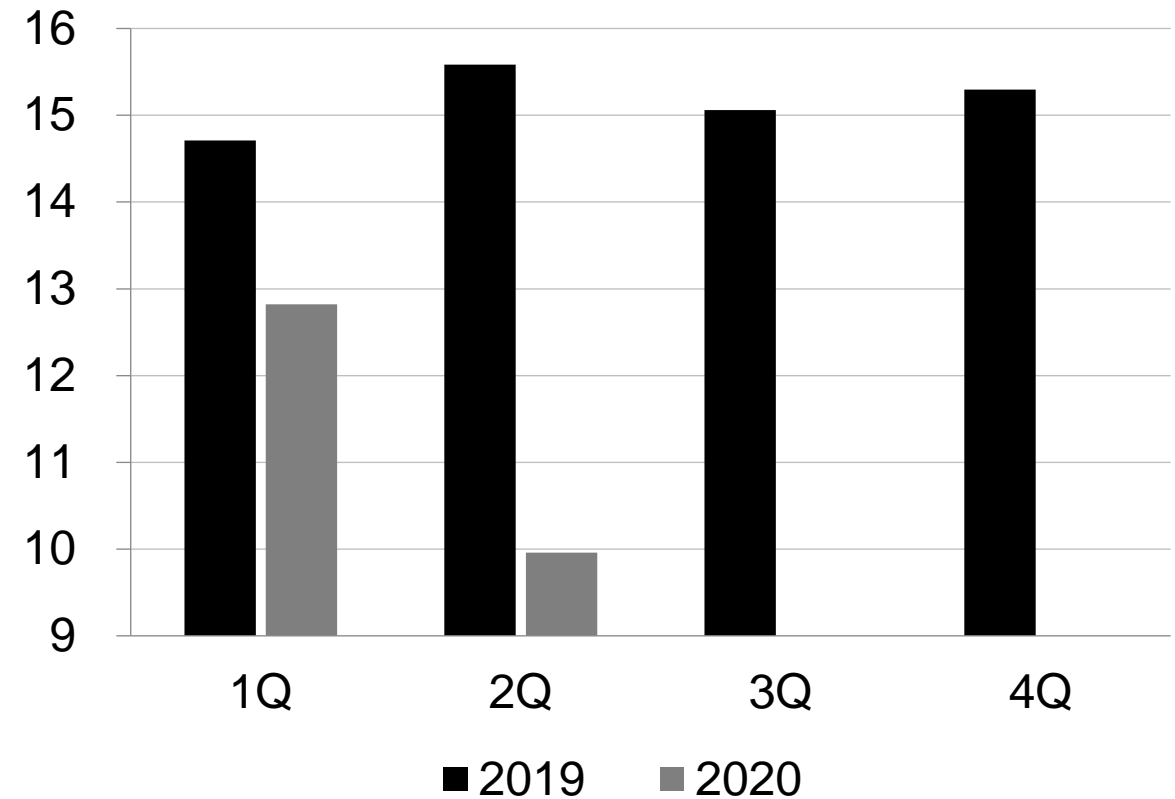
\* Daily passenger counts include returning residents, intended residents and visitors but exclude interisland and Canada passengers

# The Rapid Decline of Demand – Especially Business Travel – Has Pummeled Airline Revenues

YOY Change (%) in Operating Revenues\*



Total Operating Revenues\* (Cents) per ASM

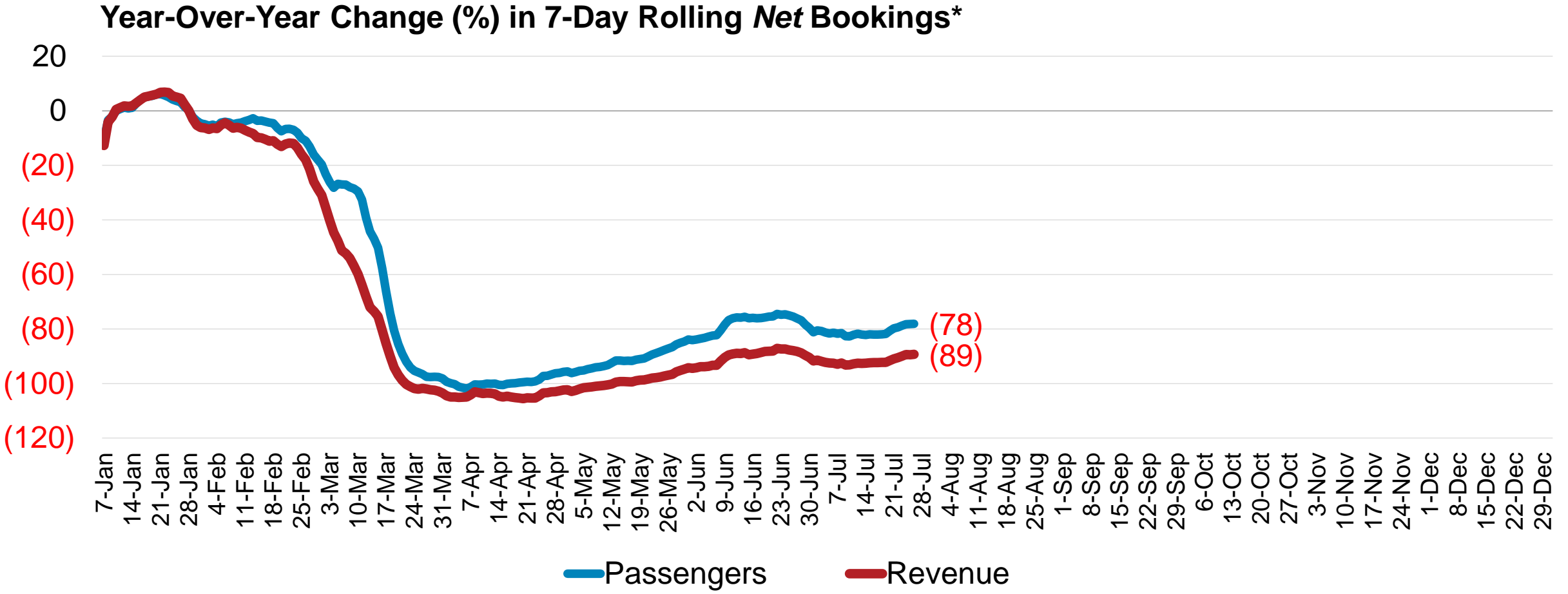


Source: A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

\* As reported on a consolidated company basis for systemwide operations

# Sales\* for Future Air Travel From U.S. Airports Remain Highly Depressed

## Net Booked\* Revenue Down 89 Percent From 2019 on Evaporation of Business Travel



Source: Airlines Reporting Corporation (ARC) for most U.S. and foreign carriers for any flight to/from/within the United States

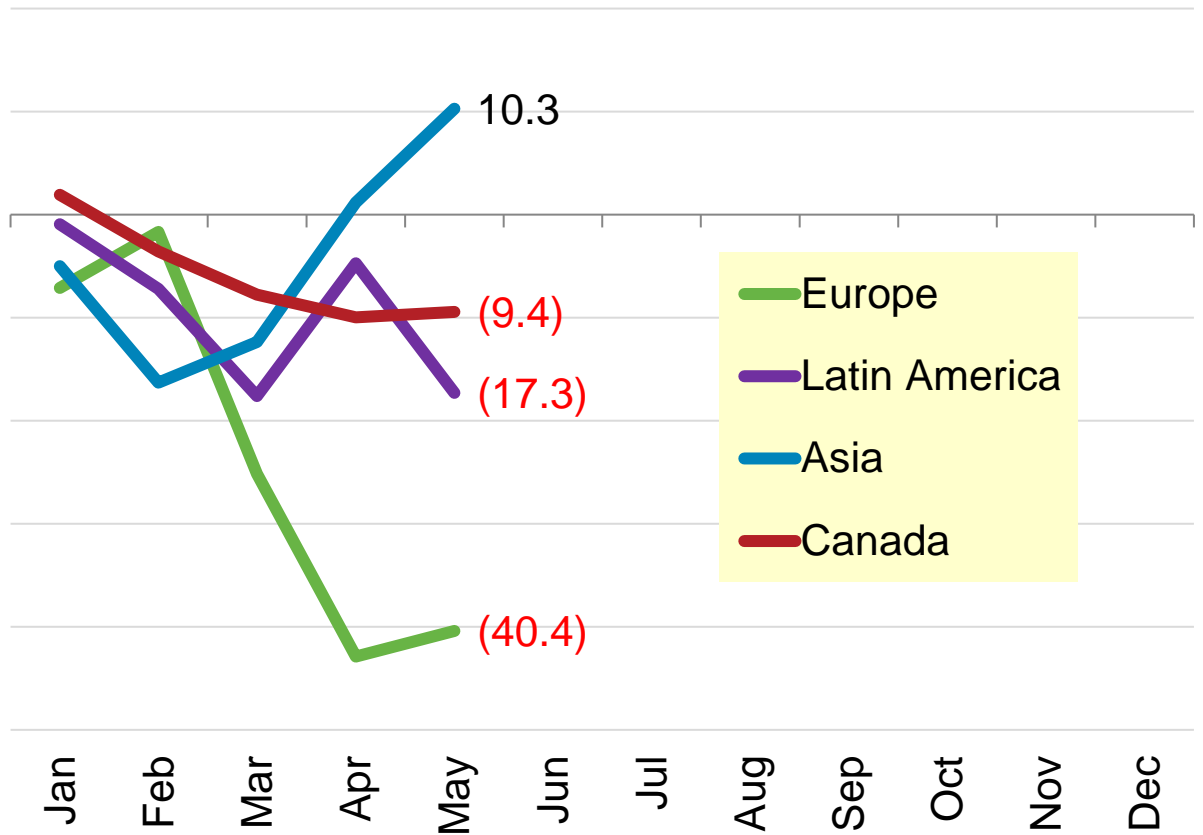
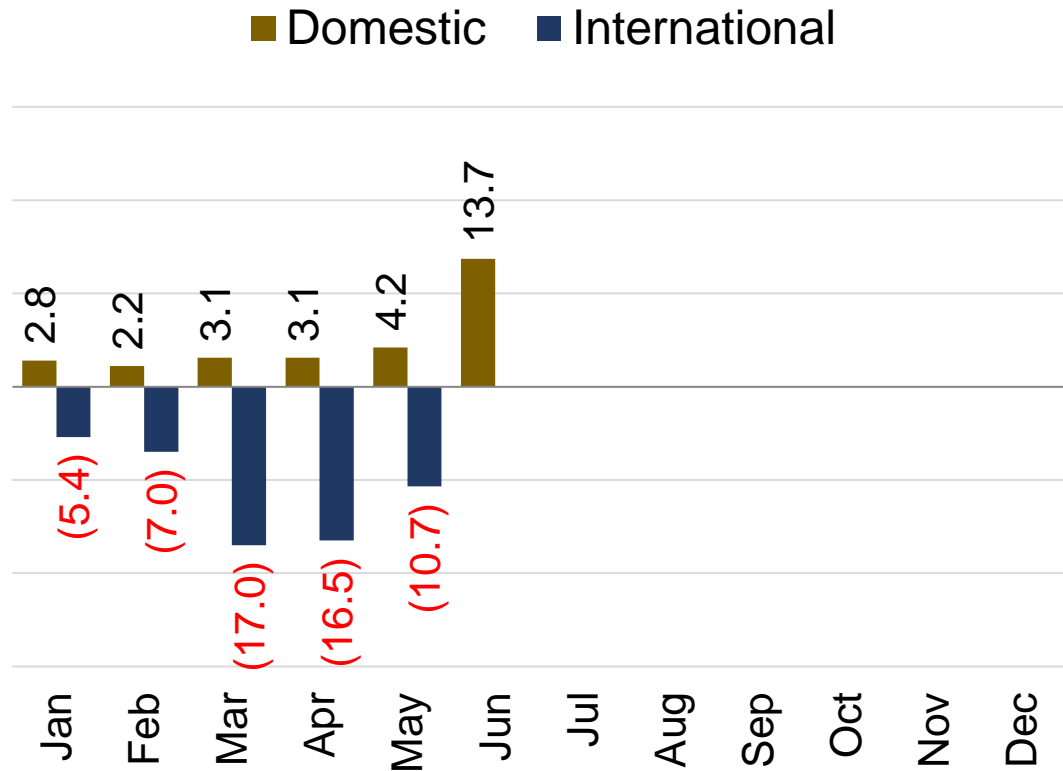
\* Sales transactions minus refunds, for all future travel up to 330 days out



# Domestic Air Cargo Demand Continues to Outperform Most U.S.-International Regions

## Asia Up on Non-China Volumes

% 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

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- » 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

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# The Pandemic Has Taken a Material Toll on U.S. Airline Employment

Voluntary Reductions, Retirements, Job Changes, Employer Shutdowns and Other Factors at Play

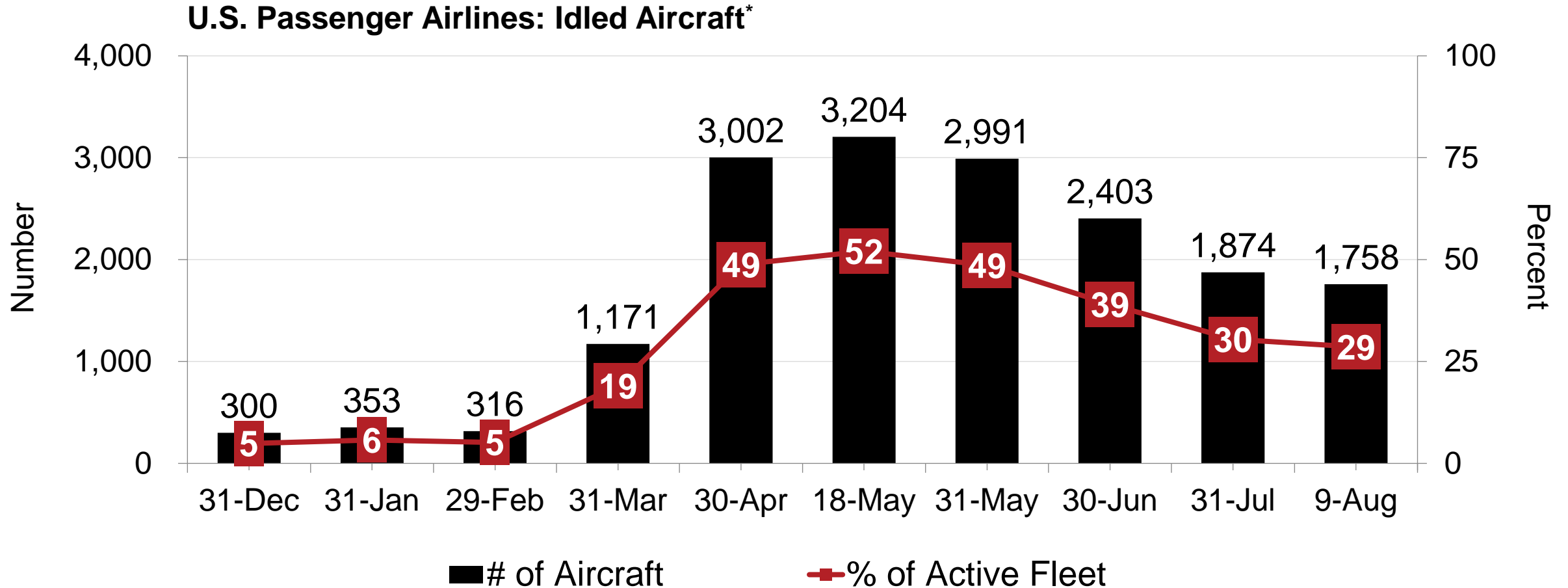
Carrier Universe	Scheduled U.S. Passenger Airlines	All U.S. Passenger and Cargo Airlines
Measure	FTEs* (000)	Headcount (000)
All-Time High	Jun-2001: 545.9	May-2001: 760.8
Post-2000 Low Point	Apr-2010: 376.7	Apr-2010: 562.3
Pre-COVID Peak	Mar-2020: 460.0	Feb-2020: 755.2
Latest Available Data Point	May-2020: 411.7	Jun-2020: 699.7
Change vs. Pre-COVID	(48.4)	(55.5)

Source: Bureau of Transportation Statistics

\* Full-time equivalents (FTE) = full-time workers plus 0.5 \* part-time workers

# Twenty-Nine Percent of the U.S. Passenger Airline Fleet Remains Idle

Peak Occurred in Mid-May



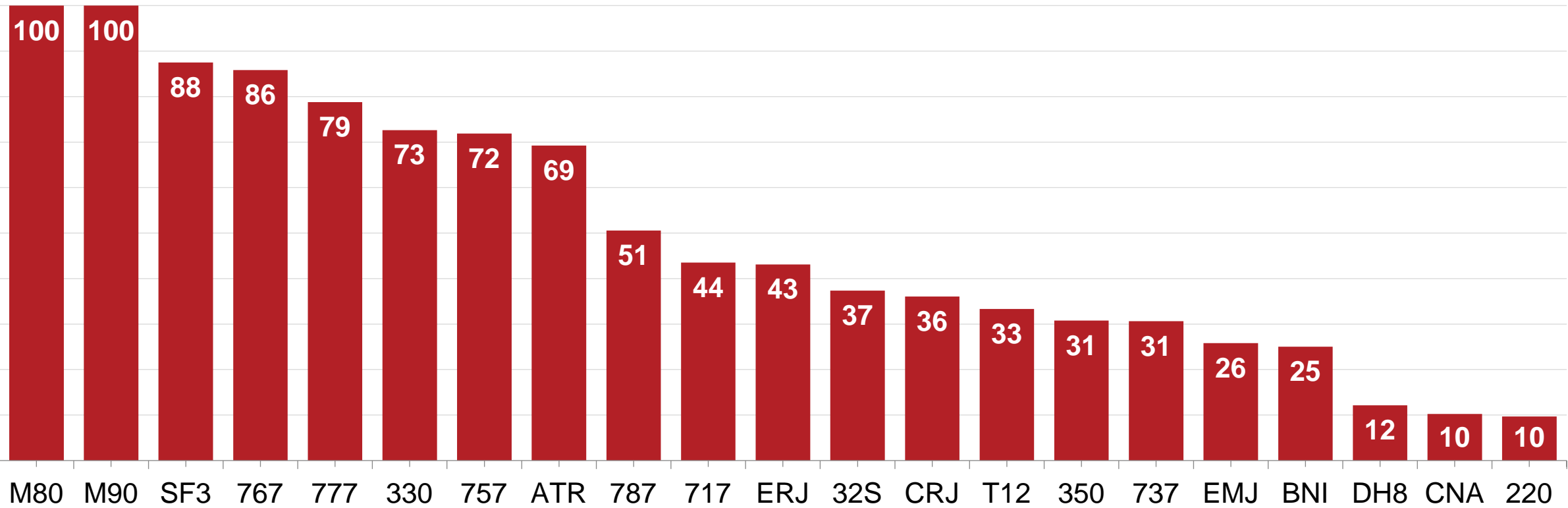
Source: masFlight

\* Idle defined as inactive for the previous seven days

# 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

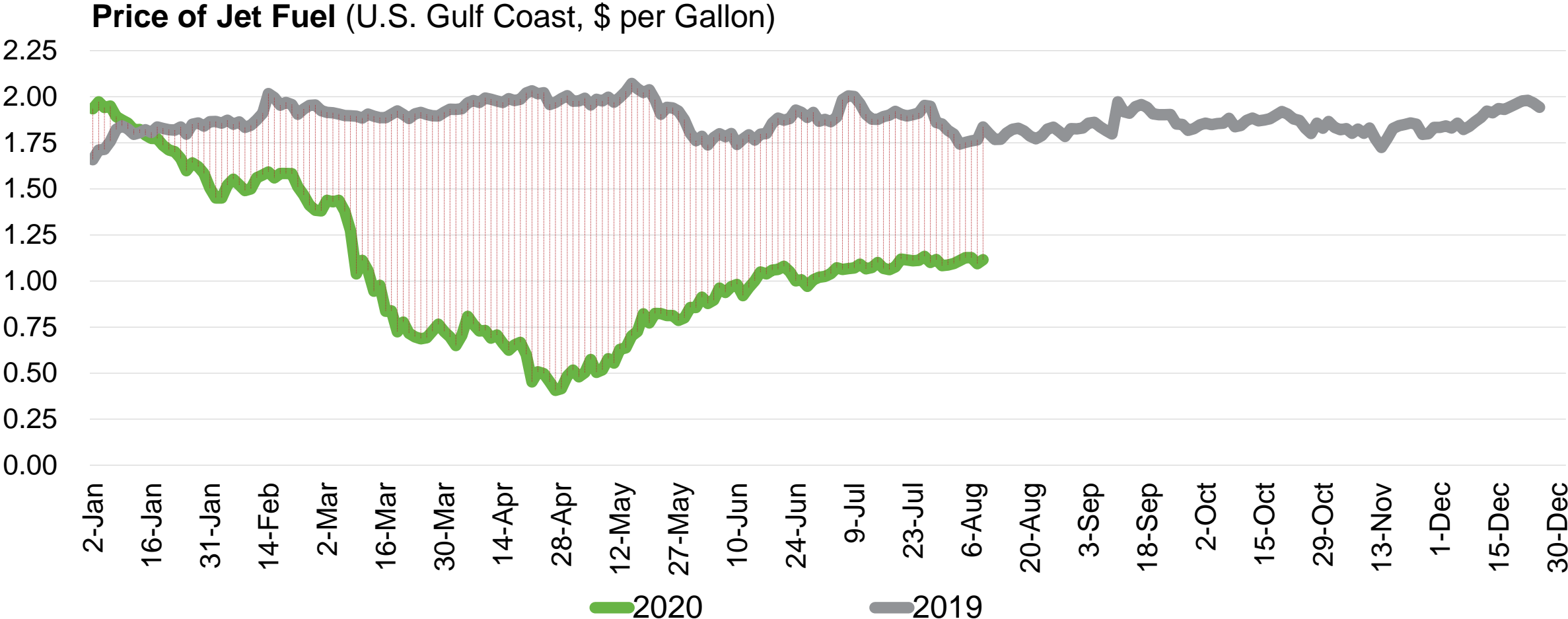
U.S. Passenger Airlines: % of Fleet Idled by Aircraft Type as of June 30, 2020\*



Source: masFlight

\* Idle defined as inactive for the previous seven days

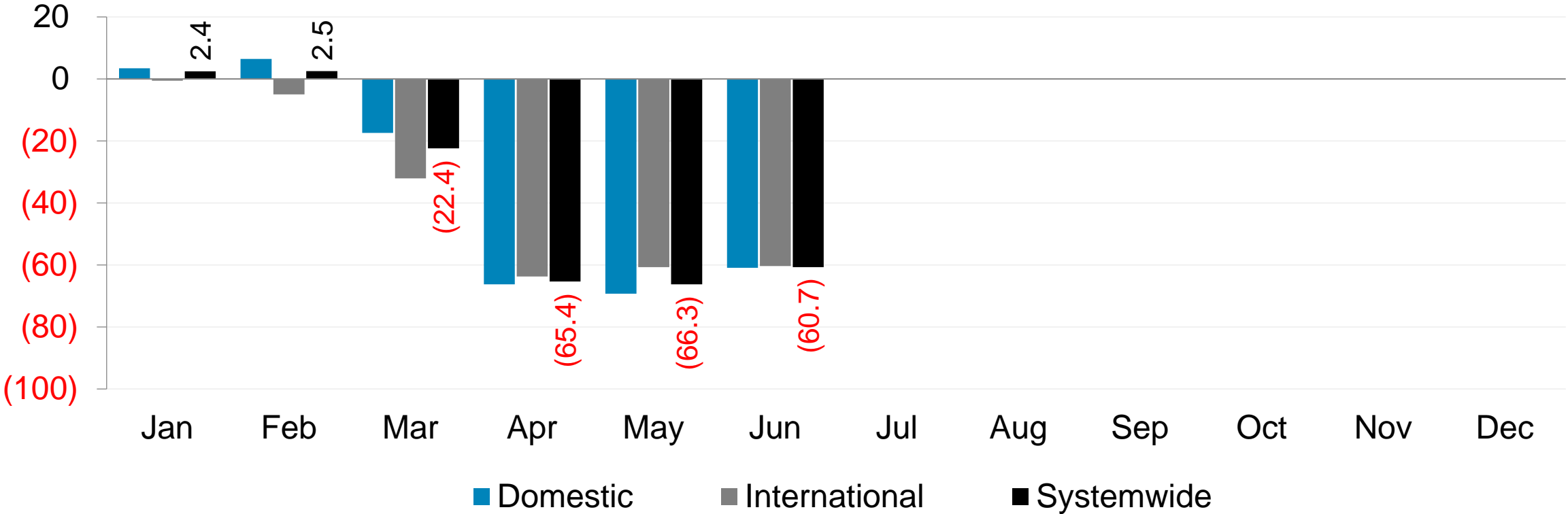
# Lower Jet-Fuel Prices Have Provided Some Cost Relief, But Rising Again With More Flying



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

# Decline in Demand for Air Transportation Has Meant Greatly Reduced Jet-Fuel Consumption

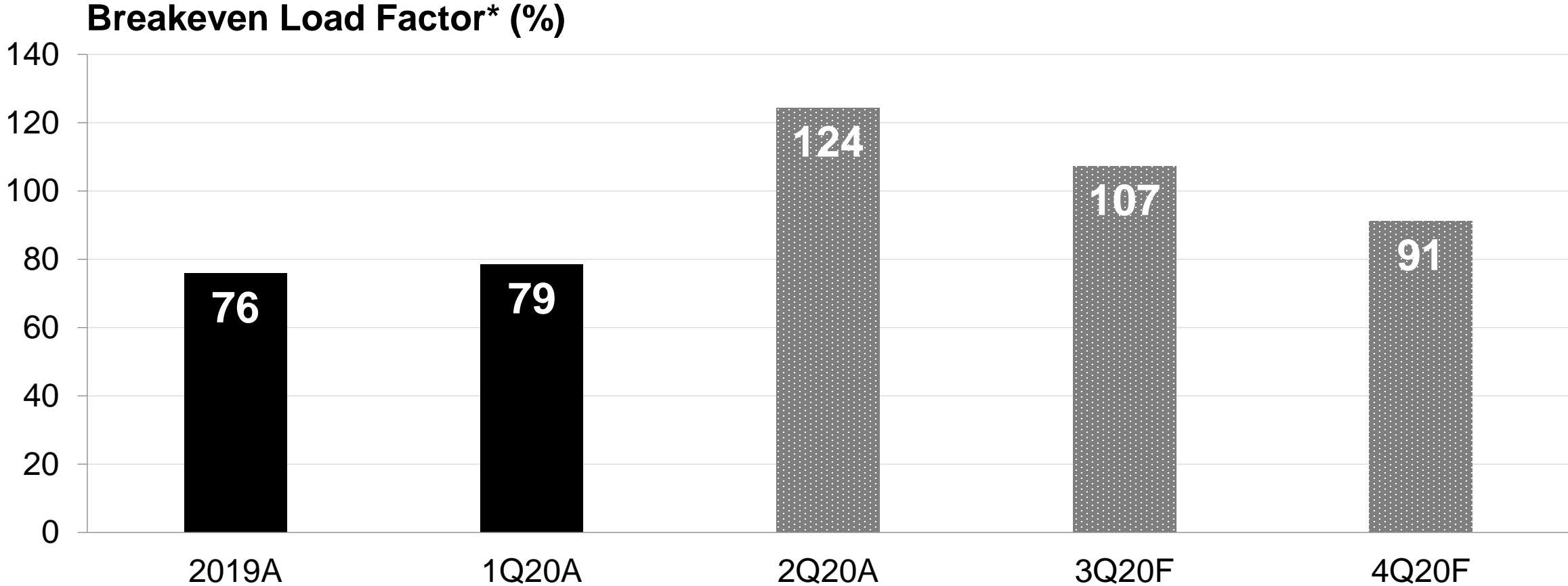
% Change YOY in U.S. Airline Industry Fuel Consumption



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



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

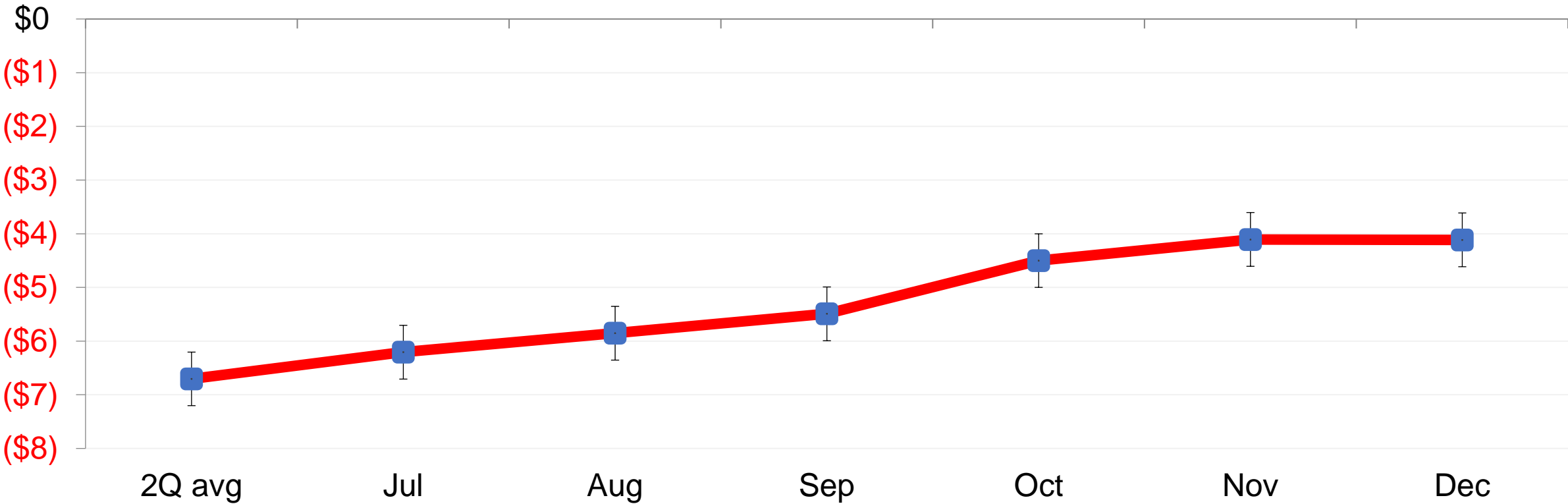
\* Calculation excludes CARES Act payroll support program funds



# 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

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



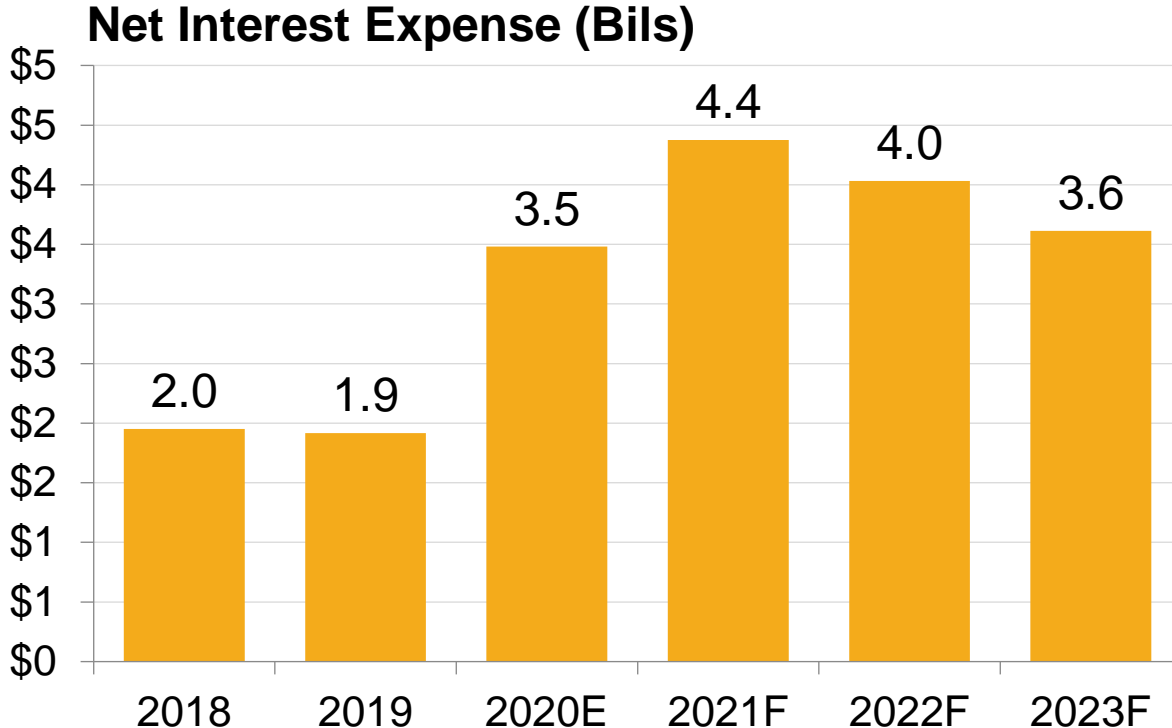
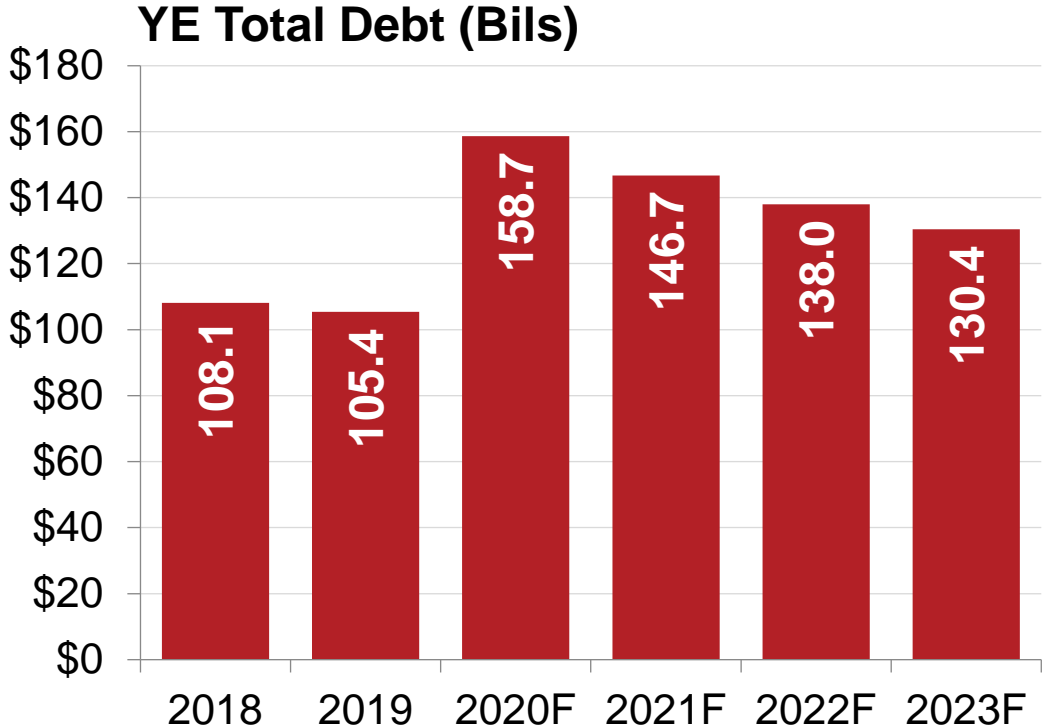
Source: A4A, BofA Global Research and Wolfe Research

\* 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)

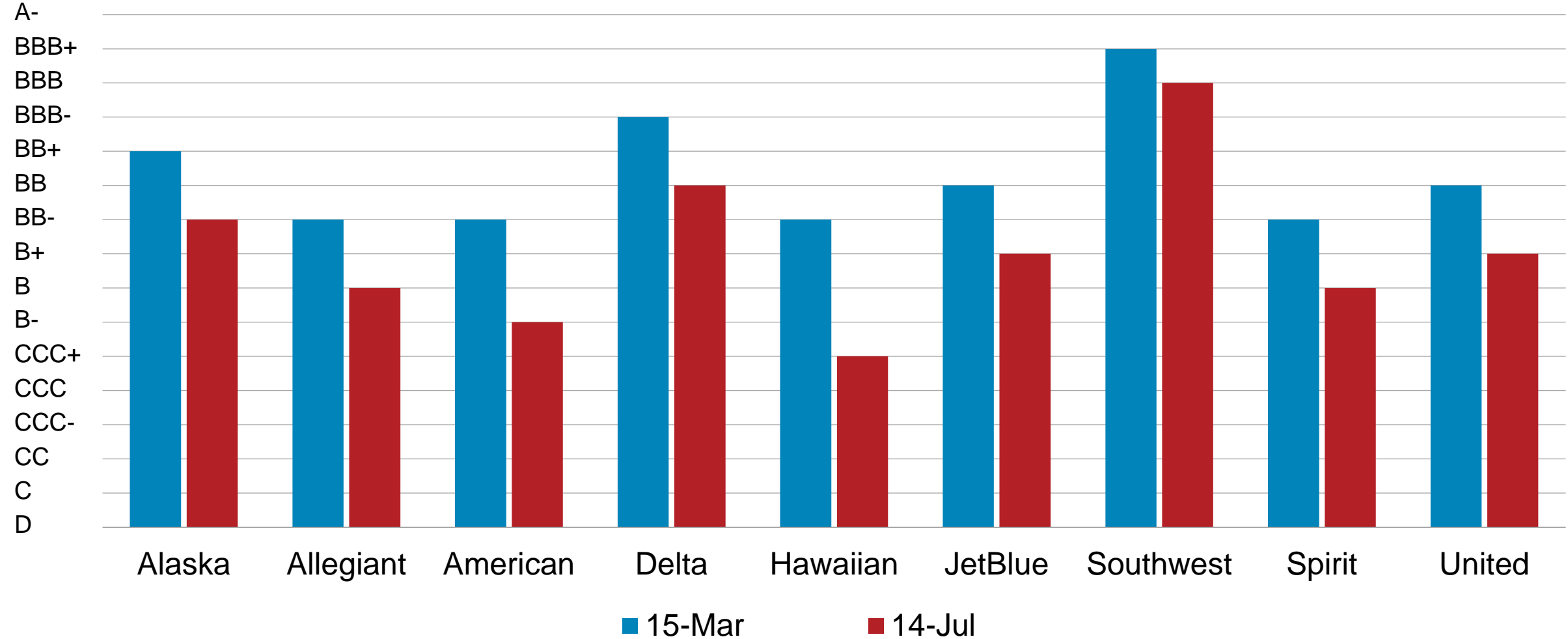


Source: Wolfe Research and filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

\* 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



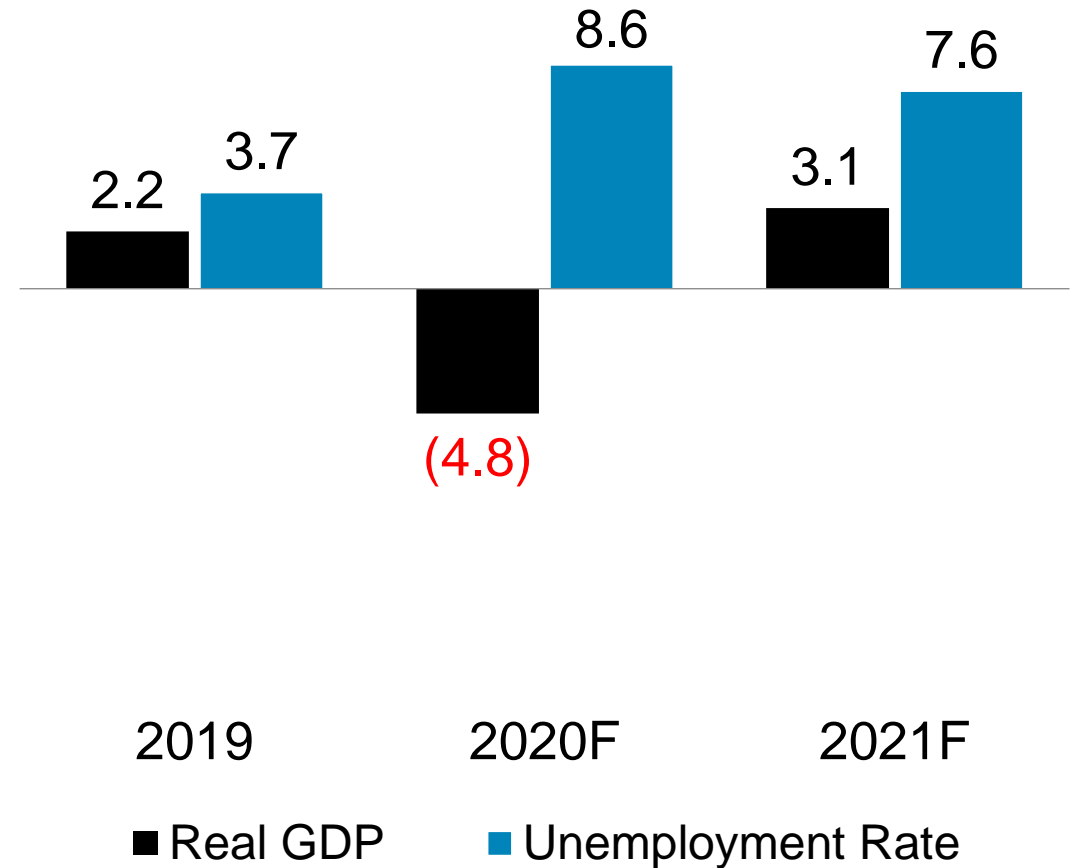
Source: Standard & Poor's

\* Publicly traded U.S. carriers in S&P Global coverage universe

# With the U.S. Economy Contracting, Unemployment Is Rising

“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...**” (June)

“[W]e assume a vaccine becomes available by mid-2021, allowing the economy to accelerate then. We project growth of 3.1% in 2021 and 4.1% in 2022. **GDP surpasses its previous peak in the spring of 2022**, and **the economy regains full employment late in 2023...**” (August)

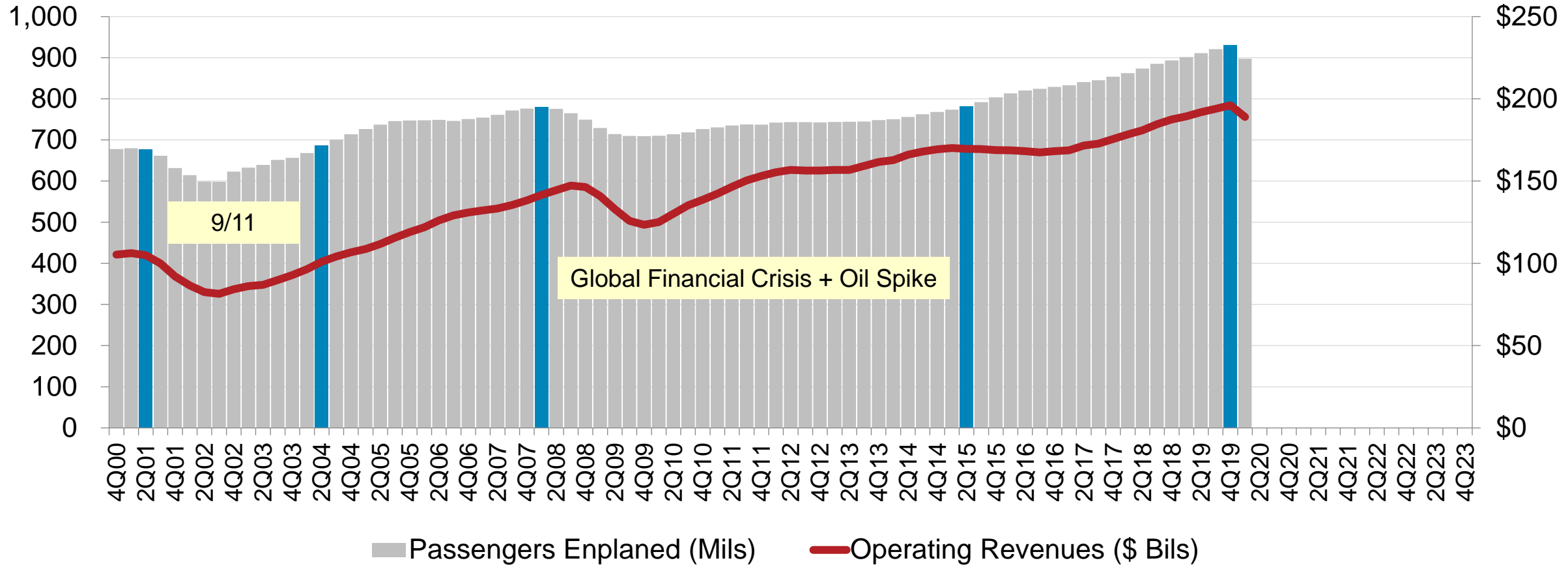


Source: IHS Markit, “Executive Summary: US Economic Outlook” (August 2020)

# 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)



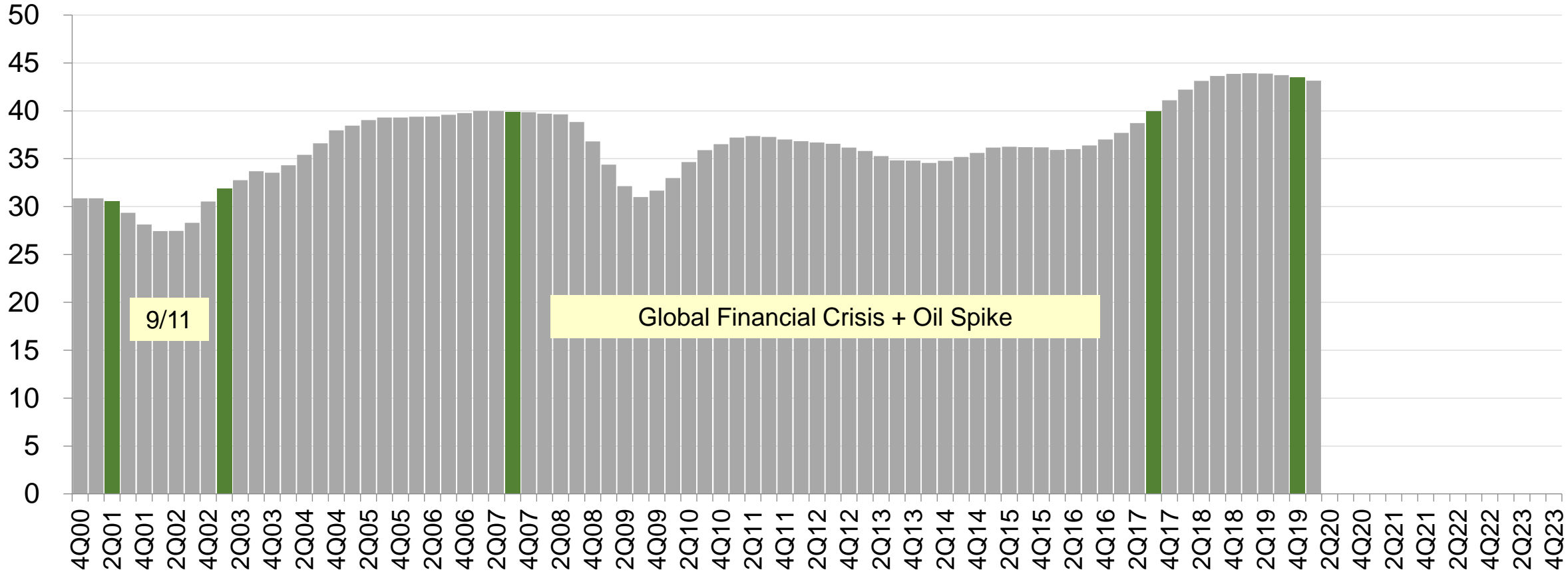
Source: A4A Passenger Airline Cost Index and Bureau of Transportation Statistics (Form 41 Schedule T1)

\* Passengers enplaned systemwide on U.S. airlines in scheduled and nonscheduled services

# 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

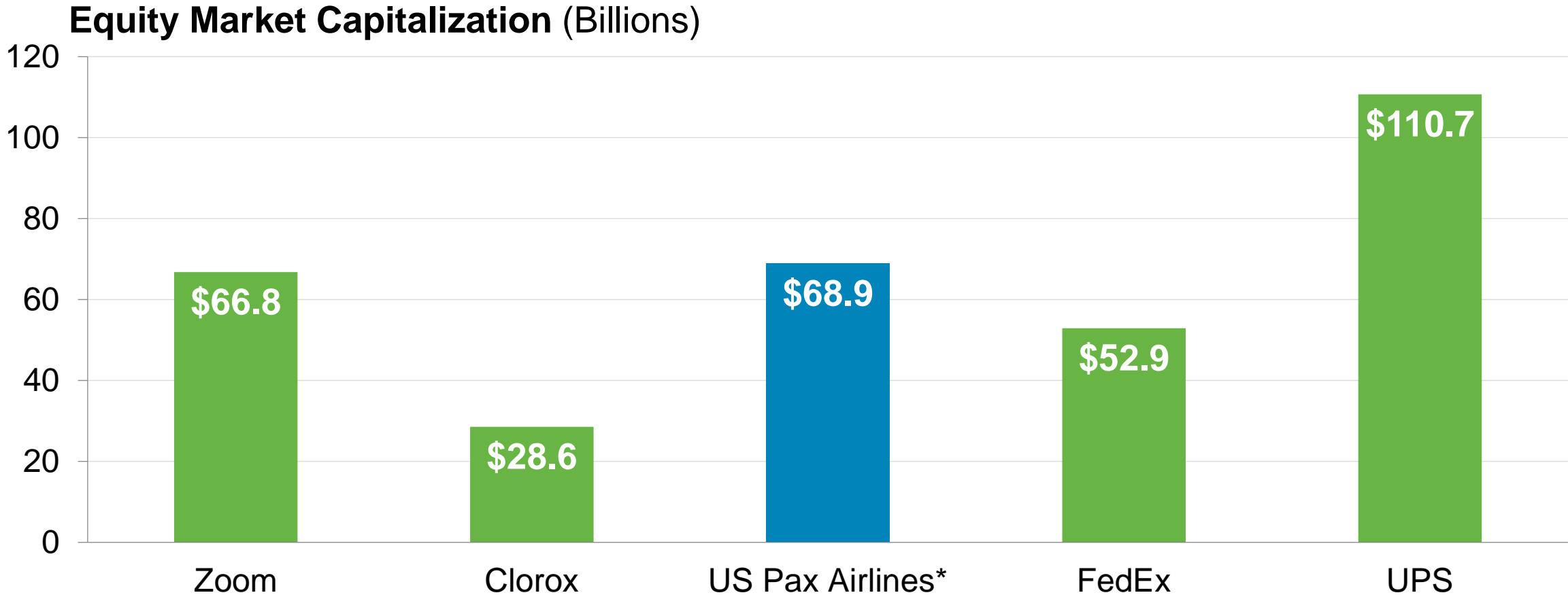
Four-Quarter Rolling Air Cargo Revenue Ton Miles (Billions)



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 Is Comparable to That of All U.S. Passenger Airlines Combined



Source: Google Finance (Aug. 12, 2020)

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

# Key Points

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- » 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 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.**