Tracking the Impacts of COVID-19

Updated January 16, 2021
Air cargo demand reached an all-time high in 3Q 2020.

In contrast, air-travel demand remains severely depressed, but could pick up meaningfully if harmonized testing regimes replace travel restrictions and vaccination rates increase.

As an industry, U.S. airlines are unlikely to achieve cash break-even during 1H 2021.

It will take years for airlines to retire the newly accumulated billions of dollars of debt.

The sizable associated interest expense will limit their wherewithal to rehire and reinvest.
We Are Unlikely to See a Return to 2019 Passenger Volumes Before 2023-2024
2021-2022 Clouded by Uncertainty re: State of Pandemic, Vaccination/Therapeutics, Economy

The Bull Case
- Better-than-expected vaccine efficacy
- Accelerating rates of vaccination (worldwide)
- Standardization of testing in lieu of restrictions
- Better-than-expected economic outlook/stimulus
- Business travel resurgence (healthy markets)
- Personal travel resurgence (record savings)
- Virtual interactions and dispersion of office workers (“self remotification”) and facilities stimulate demand

The Bear Case
- Vaccines fail to address new strain(s) of COVID
- Low rates of vaccine deployment or acceptance
- Virus persists as people avoid masks and distance
- Travel restrictions remain despite vaccines/testing
- Economy falters
- Business travel lags as companies conserve cash
- Virtual meeting technologies displace future travel due to cost and/or climate considerations

Source: A4A and various airline equity analysts
Aviation Is in the Early Innings of a Multiyear, Multistage Recovery

- Contain the Virus
- Stabilize the Economy
- Increase Efficiency

Aviation-Government Collaboration on Health/Facilitation/Safety/Technology

- Traffic Recovery
- Revenue Recovery
- Financial Recovery

Cost-Reduction Initiatives + Business Model Adaptation + Debt Reduction

- Reduce Cash Burn
- Restore Profitability & Rebuild Margins
- Repair Balance Sheets
Airlines Are Making an Unprecedented Level of Investment in the Safety and Wellbeing of Their Customers and Workers, Instituting Multiple Layers of Protection Throughout the Experience

- Requiring face coverings
- Offering touchless check-in
- Using HEPA filtration systems
- Sterilizing w/electrostatic sprayers & foggers
- Sanitizing counters, kiosks & gate areas
- Adjusting security screening
- Disinfecting surfaces (e.g., tables, buckles)
- Reducing touchpoints (e.g., beverage service)

Source: AirlinesTakeAction.com

Partnering With Premier Medical Institutions
“When the use of masks is implemented in combination with other measures built into aircraft operations, such as increased ventilation…and disinfection of surfaces, these layered NPIs offer significant protection from acquiring COVID-19 through air travel.”

“The use of face masks is critically important throughout the air travel process, from entering the airport for departure to leaving the destination airport…”

“COVID-19 and transmission

COVID-19 is an infectious disease caused by a new type of coronavirus called Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2). It was first identified in China in late 2019 and has spread around the world, resulting in millions of illnesses and severe economic hardships.1,2 It has also understandably resulted in a reluctance to engage in activities that involve proximity to other people. Transmission of SARS-CoV-2 is similar to influenza (“flu”) and other respiratory viruses: It may be spread directly through contact with respiratory particles from an infected individual or indirectly by touching highly contaminated surfaces and then touching one’s face.1-4 The virus generally enters through the nose and mouth and then deposits on the lining of the nasal passages or throat.4 It can also enter through the mucous membranes surrounding the eye.4

If the immune system does not counteract SARS-CoV-2 during this initial phase, the virus moves down the trachea to attack the lungs and cause inflammation.4 Symptoms include fever, cough, persistent extreme fatigue, difficulty breathing, congestion, nausea and vomiting, and new loss of smell or taste.4,5 In most cases people are either asymptomatic or have mild symptoms (50% of the infected population), but others develop more severe disease that can be fatal.1,6,7 However, there are several actions that the air travel industry and passengers can take to significantly reduce the risk of infection during air travel, including the use of face masks.

Face masks: An essential protective measure while traveling

Face masks are an essential part of a comprehensive set of measures to reduce transmission of COVID-19 throughout air travel. Passengers and airport/airline employees should be required to wear face masks throughout their air travel journey — including time spent in the airport, boarding, in-flight, and deplaning. Since different masks offer different protection and understanding of proper use may vary, it is critical that consistent requirements of proper mask selection and use be applied and clearly communicated for everyone throughout air travel.

The role of face masks in preventing COVID-19 infection during air travel

During air travel, passengers and crew are in a very well-ventilated space but in close proximity to one another for an extended period of time. SARS-CoV-2 infections can occur through the emission of virus-containing respiratory particles that are aerosols (<5 µm in diameter) and droplets (>5 µm in diameter) exhaled by infected people when coughing, sneezing, speaking, and even through normal breathing.1,4-6,8,9 While big particles fall quickly to the ground, smaller particles are lightweight and can remain suspended in the air.1 Face masks help block respiratory particles, yielding added protection in the aircraft environment.

If symptomatic individuals are coughing or sneezing, other people frequently try to distance themselves to avoid transmission. However, individuals who are infected but do not develop symptoms (asymptomatic) and those who are early in disease course and have not yet developed symptoms (pre-symptomatic) can still spread the virus by normal breathing and speaking, and they may be unaware that they are infected and contagious.1 Pre-symptomatic or asymptomatic individuals cause an estimated 50% of the
This study is the first comprehensive research looking at the entire inflight experience.

The multiple layers of protection against COVID-19 make being on an airplane as safe as if not substantially safer than other routine activities, such as grocery shopping or going to a restaurant.

The research found that there is a very low risk of virus transmission on airplanes.

The scientists concluded that the ventilation on airplanes is so good that it effectively counters the proximity travelers are subject to during flights.
New U.S. Cases of COVID-19 Reached Peak of 244,700 in Week Ending Jan. 11, 2021

United Kingdom Exceeding France and Italy Combined, Neck and Neck With Brazil

Source: World Health Organization and the COVID Tracking Project
COVID-Related U.S. Hospitalizations Fluctuating Between 127,000-132,000

~23,600 COVID-19 Patients Currently in Intensive Care, With ~7,800 on Ventilators

Source: The COVID Tracking Project and Centers for Disease Control

COVID-19 Hospitalizations* in the United States

Source: The COVID Tracking Project and Centers for Disease Control

* Confirmed or probable COVID-19 cases per the expanded Council of State and Territorial Epidemiologists definition of April 5, 2020 approved by CDC
The Global Economy Is Projected to Grow ~6% in 2021

“Despite some near-term moderation, we are a bit more constructive on 2021 as a whole thanks to several new developments. For one, the economy stands to benefit from the recent injection of fiscal support... What’s more, ...the pace of vaccine deployment is gaining momentum. According to health experts, achieving herd immunity to COVID is still possible by the end of the summer. This would unlock many of the activities rendered unfeasible by a highly transmissible virus... We look for real GDP to expand by 4.6% in 2021 and 4.8% in 2022.”

Wells Fargo Forecasts for 2021 Real GDP Growth ()%

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>5.7</td>
</tr>
<tr>
<td>USA</td>
<td>4.6</td>
</tr>
<tr>
<td>Eurozone</td>
<td>3.2</td>
</tr>
<tr>
<td>UK</td>
<td>2.4</td>
</tr>
<tr>
<td>Japan</td>
<td>3.2</td>
</tr>
<tr>
<td>Canada</td>
<td>4.1</td>
</tr>
<tr>
<td>Australia</td>
<td>3.5</td>
</tr>
<tr>
<td>China</td>
<td>9.4</td>
</tr>
<tr>
<td>India</td>
<td>10.4</td>
</tr>
<tr>
<td>Mexico</td>
<td>3.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.9</td>
</tr>
</tbody>
</table>

In Most Recent Week, U.S. Airline Passenger Volumes Were 58% Below Pre-Pandemic Levels
Domestic Air Travel Down 58%, International Air Travel Down 63%

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
In Most Recent Week, U.S. Passenger Airline Departures Were 42% Below Pre-Pandemic Levels
Domestic Flights Operated Down 42%, International Flights Operated Down 42%

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

7-Day Rolling Year-Over-Year Change in Aircraft Departures (%)
DC and Northeast Seeing Largest Service Reductions; Rockies and Great Plains Seeing Least

% Change in Scheduled Passenger Flights: January 2021 vs. January 2020

Source: Diio by Cirium published schedules (Jan. 15, 2021) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

Source: Airlines for America

Airlines for America
We Connect the World

airlines.org
Domestic Load Factor Averaged 55% in Most Recent Week, Versus 78% in Same Week of 2020

Weekly Average Domestic U.S. Load Factor* (%)

![Graph showing the weekly average domestic U.S. load factor from 3-Jan to 26-Dec, with data points for 2019, 2020, and 2021. The graph highlights a significant decrease in load factor in early 2020, followed by a recovery throughout the year.]

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 Most Recent Week, Domestic U.S. Flights Averaged 64 Passengers
Domestic Flights Averaged ~99 Passengers per Departure Over the Course of 2019

7-Day Moving Average Onboard Passengers* per Flight

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

* Onboard ("segment") passengers
U.S. Airline Capacity Cuts Have Not Caught Up With the Severe Drop in Demand

7-Day Rolling YOY 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

Traffic (RPMs)
Capacity (ASMs)

(10)
(20)
(30)
(40)
(50)
(60)
(70)
(80)
(90)
(100)
Except for March-May, 2020 Flight Completion Factor Outperformed 2019

U.S. Passenger Airline Flight Completion Factor*

Source: Bureau of Transportation Statistics  
* Departures performed as a percent of those scheduled, as reported on a marketing-carrier basis
In Most Recent Week, TSA Checkpoint Volumes Fell 64% Below Pre-Pandemic Levels

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

Source: Transportation Security Administration

* U.S. and foreign carrier customers (excluding Known Crewmember® personnel) traversing TSA checkpoints.
At U.S. Airports in December, Passenger Volumes Declined Most in Vermont, Least in USVI

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

<table>
<thead>
<tr>
<th>State</th>
<th>YOY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VT</td>
<td>-82.8</td>
</tr>
<tr>
<td>NH</td>
<td>-72.2</td>
</tr>
<tr>
<td>MA</td>
<td>-73.9</td>
</tr>
<tr>
<td>RI</td>
<td>-73.9</td>
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<tr>
<td>NY</td>
<td>-74.8</td>
</tr>
<tr>
<td>MA</td>
<td>-73.9</td>
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<tr>
<td>NJ</td>
<td>-65.0</td>
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<tr>
<td>CT</td>
<td>-71.0</td>
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<tr>
<td>PA</td>
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<tr>
<td>NJ</td>
<td>-65.0</td>
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<tr>
<td>DC</td>
<td>-74.3</td>
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<tr>
<td>MD</td>
<td>-64.2</td>
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<tr>
<td>VA</td>
<td>-59.2</td>
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<tr>
<td>NC</td>
<td>-61.1</td>
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<tr>
<td>GA</td>
<td>-56.5</td>
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<tr>
<td>OR</td>
<td>-57.1</td>
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<tr>
<td>NV</td>
<td>-62.5</td>
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<tr>
<td>ID</td>
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<tr>
<td>WY</td>
<td>-27.8</td>
</tr>
<tr>
<td>AK</td>
<td>-54.9</td>
</tr>
<tr>
<td>WA</td>
<td>-66.7</td>
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<tr>
<td>MT</td>
<td>-45.3</td>
</tr>
<tr>
<td>ND</td>
<td>-52.0</td>
</tr>
<tr>
<td>MN</td>
<td>-65.0</td>
</tr>
<tr>
<td>WI</td>
<td>-64.7</td>
</tr>
<tr>
<td>MI</td>
<td>-58.8</td>
</tr>
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<td>NY</td>
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<td>-72.2</td>
</tr>
<tr>
<td>ME</td>
<td>-64.9</td>
</tr>
</tbody>
</table>

Source: Transportation Security Administration
Hawaii’s Testing-Based Exemption From Quarantine Has Boosted Air Travel
Materially Improved From 94% in First Half of October

On 3/26/2020, the State of Hawai’i initiated a mandatory 14-day self-quarantine for all passengers arriving from out of state. Beginning 10/15/2020, subject to specific COVID-19 negative test results, passengers can avoid quarantining.

% Change vs. 2019 in Air Travel to Hawaii* (7-Day Moving Average)

* Daily passenger counts include returning residents, intended residents and visitors but exclude interisland and Canada passengers.
In December, U.S.-International Air Travel* Fell 76% From 2019 Levels
Non-U.S. Citizen Arrivals Fell 83%; U.S. Citizen Departures Fell 68%

% Change vs. 2019 in Total* U.S.-International Air Passengers

Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data
* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation
Of the 25 Largest U.S.-Country Pairs in December 2019, 12 Saw YOY Declines Exceeding 90%
U.S.-Mexico and U.S.-Dominican Republic Fell the Least

Top-25 U.S. Country Pairs: % Change in Passengers* From December 2019 to December 2020
Sorted left to right by highest volume in December 2019

Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data
* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation
In December 2020, Mexico Was the Clear Leader for U.S.-International Air Travel
Top U.S. Country Pairs Propelled by Beach Seekers and Those Visiting Friends/Relatives

December 2020: Top-25 U.S. Country Pairs by Total Nonstop Air Passengers* (000)

Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data
* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation
Latin American Airports Are the Most Popular Foreign Gateways to/from USA

December 2020: Top-30 Foreign Gateways to/from USA by Total Nonstop Air Passengers* (000)

Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data
* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation
Corporate Air Travel Has Yet to Recover From the Steep Declines That Began in March

% Change vs. 2019 in Weekly Tickets Sold* by U.S. Travel Agencies

* Results do not include sales of tickets purchased directly from airlines and are not net of refunds or exchanges.

Source: Airlines Reporting Corporation (ARC)
“Business Travel” Takes Many Forms
Some Are Less Vulnerable to Substitution Than Others

Business Development
Client Consultations
Field Work / Site Visits
Product Demos / Sales

Company Meetings or Training
Team-Building / Retreats

Industry Meetings
Conferences / Conventions
Networking

Commuting to/from Work
The Rapid Decline of Demand – Especially Business Travel – Has Pummeled Airline Revenues

YOY Change (%) in Operating Revenues

<table>
<thead>
<tr>
<th></th>
<th>1Q20</th>
<th>2Q20</th>
<th>3Q20</th>
<th>4Q20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change</td>
<td>(17)</td>
<td>(86)</td>
<td>(74)</td>
<td></td>
</tr>
</tbody>
</table>

Total Operating Revenues (Cents) per ASM

<table>
<thead>
<tr>
<th></th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>14.71</td>
<td>12.82</td>
<td>9.96</td>
<td>9.25</td>
</tr>
<tr>
<td>2020</td>
<td>15.58</td>
<td>15.06</td>
<td>15.30</td>
<td></td>
</tr>
</tbody>
</table>

Source: A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United on a consolidated company basis for systemwide operations
First Nine Months of 2020: U.S. Passenger Airline Operating Revenues Down 61.5% YOY
Pre-Tax Losses Exceeding $36 Billion Through September

Change (% in Operating Revenues and Expenses)
YTD 3Q20 vs. YTD 3Q19

<table>
<thead>
<tr>
<th>Change (%) in Operating Revenues and Expenses</th>
<th>YTD 3Q20 vs. YTD 3Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psgr. (1)</td>
<td>(65.3)</td>
</tr>
<tr>
<td>Cargo</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Other (2)</td>
<td>(21.1)</td>
</tr>
<tr>
<td>Total OpRev</td>
<td>(61.5)</td>
</tr>
<tr>
<td>Labor</td>
<td>(47.2)</td>
</tr>
<tr>
<td>Fuel</td>
<td>(61.1)</td>
</tr>
<tr>
<td>Maintenance</td>
<td>(39.3)</td>
</tr>
<tr>
<td>Airports</td>
<td>(17.7)</td>
</tr>
<tr>
<td>Aircraft</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Other (3)</td>
<td>(32.2)</td>
</tr>
<tr>
<td>Total OpExp</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Quarterly Pretax Income/Losses ($Billions)

<table>
<thead>
<tr>
<th>Quarterly Pretax Income/Losses ($Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q20</td>
</tr>
<tr>
<td>2Q20</td>
</tr>
<tr>
<td>3Q20</td>
</tr>
<tr>
<td>YTD</td>
</tr>
</tbody>
</table>

1. Traffic = revenue passenger miles (down 63.5%); yield = revenue per passenger-mile flown (down 5.0%)
2. Sale of frequent flyer award miles to airline business partners, transportation of pets, in-sourced aircraft and engine repair, flight simulator rentals, inflight sales, etc.
3. Aircraft rents, professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regionals

Source: A4A analysis of reports by Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United on a consolidated company basis for systemwide operations
Domestic U.S. Air Cargo Demand Continues to Outperform International Trade With Asia Continues to Lead the Recovery for U.S.-International Air Cargo

% Change YOY in Air Cargo*  
U.S. Airlines Only

% Change YOY in U.S.-International Air Cargo*  
U.S. and Non-U.S. 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
Through 2019, U.S. Airline Passenger Traffic Held Steady, But Air Cargo Volumes Weakened

2020 Was An Entirely Different Animal

Sources: Bureau of Transportation Statistics T1 for all airlines providing scheduled and nonscheduled services

Change (%) YOY in Traffic* – U.S. Passenger and Cargo Airlines

Cargo Traffic (RTMs)  Passenger Traffic (RPMs)

Sources: Bureau of Transportation Statistics T1 for all airlines providing scheduled and nonscheduled services

* RTMs = freight, mail and express revenue ton miles; RPMs = revenue passenger miles
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
The Pandemic Has Taken a Material Toll on U.S. Airline Employment
Voluntary Reductions, Retirements, Job Changes, Employer Shutdowns and Other Factors at Play

<table>
<thead>
<tr>
<th>Carrier Universe</th>
<th>Scheduled U.S. Passenger Airlines</th>
<th>All U.S. Passenger and Cargo Airlines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure</td>
<td>FTEs* (000)</td>
<td>Headcount (000)</td>
</tr>
<tr>
<td>All-Time High</td>
<td>Jun-2001: 545.9</td>
<td>May-2001: 760.8</td>
</tr>
<tr>
<td>Post-2000 Low Point</td>
<td>Apr-2010: 376.7</td>
<td>Apr-2010: 562.3</td>
</tr>
<tr>
<td>Pre-COVID Peak</td>
<td>Mar-2020: 460.0</td>
<td>Feb-2020: 757.0</td>
</tr>
<tr>
<td>Latest Available Data Point</td>
<td>Nov-2020: 366.8</td>
<td>Nov-2020: 678.3</td>
</tr>
<tr>
<td>Change vs. Pre-COVID</td>
<td>(93.3)</td>
<td>(78.7)</td>
</tr>
</tbody>
</table>

Source: Bureau of Transportation Statistics based on payroll near the 15th of the month

* Full-time equivalents (FTE) = full-time workers plus 0.5 * part-time workers
CARES Act Payroll Support Program Kept Airline Workers Employed But Left a $3.7B Shortfall
PSP Enabled Airlines to Maintain Full Payroll and Accelerate the U.S. Economic Recovery

» CARES Act PSP was a pass-through to airline workers – a combination of grants and loans (to be repaid with interest to U.S. Treasury) – for the period April 1-Sept. 30, 2020.

» The law required that airlines: 1) not conduct involuntary furloughs or reduce benefits or rates of pay, 2) comply with minimum air service obligations 3) abide by restrictions on executive compensation, 4) repay ~29% of the funds (plus interest) to Treasury and 5) issue warrants to Treasury.

» For the nine largest passenger airlines – after deducting the amount repayable to U.S. Treasury – PSP awards covered just 82% of payroll expenses, leaving them with a $3.7B shortfall for the applicable six-month period.

» Economic consulting firm Compass Lexecon estimated that, by keeping their workers employed through Sept. 30, PSP awards to U.S. passenger carriers saved U.S. Treasury $6.0-10.2B and state treasuries $3.2-5.5B.

<table>
<thead>
<tr>
<th>Total PSP Awards</th>
<th>Repayable to Government</th>
<th>Payroll Expenses</th>
<th>PSP Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>$22.8</td>
<td>$6.6</td>
<td>$19.9</td>
<td>($3.7)</td>
</tr>
</tbody>
</table>

Sources: U.S. Treasury, A4A, carrier reports, equity analysts and Compass Lexecon

* Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United for April 1-Sept. 30, 2020

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U.S. Passenger Carriers Have Drawn ~$19 Billion in CARES Act Loans
Funds Intended to Help Airlines Continue Operations While Demand Remains Impaired

CARES Act Secured Loans (Millions)

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Loan Amount (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>American</td>
<td>$7,500</td>
</tr>
<tr>
<td>United</td>
<td>$5,170</td>
</tr>
<tr>
<td>JetBlue</td>
<td>$1,948</td>
</tr>
<tr>
<td>Alaska</td>
<td>$1,928</td>
</tr>
<tr>
<td>SkyWest</td>
<td>$725</td>
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<tr>
<td>Hawaiian</td>
<td>$622</td>
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<tr>
<td>Frontier</td>
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<td>Mesa</td>
<td>$201</td>
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<td>Republic</td>
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<td>Sun Country</td>
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<td>Other</td>
<td>$34</td>
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<tr>
<td>TOTAL</td>
<td>$18,824</td>
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</tbody>
</table>

“The loan proceeds will be used to provide liquidity to continue the Company’s operations… Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn.” (U.S. Treasury)

Source: U.S. Treasury

* For AAL/ALK/HA/JBLU/UAL, interest rates range from LIBOR + 2.5% to LIBOR + 3.5% and maturities range from 6/30/2024 to 9/29/2025
From March to November 2020, U.S. Passenger Airline Employment Fell by 93,283 FTEs (20%)

Over the Past Two Decades, Job Growth Has Closely Tracked the Industry’s Financial Health

Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)

U.S. Scheduled Passenger Airline Full-Time Equivalent Employees (000s)

- **Jun-2001, 545.9** - All-Time High
- **Apr-2010, 376.7**
- **Nov-2020, 366.8** - Lowest Since 2Q86
- **Mar-2020, 460.0** - Pre-COVID Peak

**Down ~169K (31%)**

**Up ~83K (22%)**

Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)
U.S. Passenger Airlines Entered 2021 With a 19% Smaller Fleet
Accounting for Retirements, Disposals and Deliveries = Net Reduction of 1,109 Aircraft

Number of Active Aircraft*

<table>
<thead>
<tr>
<th>Date</th>
<th>Regional</th>
<th>Single-Aisle</th>
<th>Twin-Aisle</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2019</td>
<td>1,810</td>
<td>3,475</td>
<td>4,95</td>
</tr>
<tr>
<td>12/31/2020</td>
<td>1,517</td>
<td>2,847</td>
<td>307</td>
</tr>
</tbody>
</table>

» 293 (16%) fewer regional aircraft
» 628 (18%) fewer single-aisle aircraft
» 188 (38%) fewer twin-aisle aircraft

Source: Global Eagle's masFlight Aviation Platform

* Operated by or on behalf of Alaska/Allegiant/American/Delta/ Frontier/Hawaiian/ JetBlue/Southwest/Spirit/Sun Country in any of the previous seven days
U.S. Airlines Have Faced a Highly Elevated Breakeven Load Factor in 2020 Expected to Remain Elevated Through First Quarter of 2021 on Low Yield and High Unit Cost

Breakeven Load Factor* (%)

<table>
<thead>
<tr>
<th></th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>77</td>
<td>75</td>
<td>75</td>
<td>76</td>
</tr>
<tr>
<td>2020</td>
<td>79</td>
<td>89</td>
<td>74</td>
<td>93</td>
</tr>
<tr>
<td>2021</td>
<td>89</td>
<td>75</td>
<td>100</td>
<td>93</td>
</tr>
</tbody>
</table>

* Includes interest expense and non-operating costs but excludes special items (e.g., CARES Act Payroll Support Program receipts) and cargo revenue

Source: Analyst estimates for publicly traded U.S. passenger airlines
Collectively, U.S. Airlines Expect Cash Burn to Persist Through Much of 2021
Given the Dearth of Demand (Especially Business Travel), Cost Reduction Is Paramount

U.S. Passenger Airlines: Estimated Average Daily Cash Burn* (in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>($151)</td>
<td>($142)</td>
<td>($138)</td>
</tr>
</tbody>
</table>

* Ticket and cargo sales - cash operating expenses - cash refunds - capital expenditures - interest expense – repayment of debt.
Airlines Are Coping by Taking on Billions in Debt – Up ~63% From YE2019 to YE2020
Net Interest Expense Doubled From 2019 to 2020 and Will Approach $14.7B in 2021-2023

“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)

Year-End Total Debt ($ Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020E</th>
<th>2021F</th>
<th>2022F</th>
<th>2023F</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>108.1</td>
<td>105.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td>172.1</td>
<td>167.2</td>
<td>161.2</td>
<td>155.3</td>
</tr>
<tr>
<td>2020E</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021F</td>
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<tr>
<td>2022F</td>
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<tr>
<td>2023F</td>
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</tbody>
</table>

Interest Expense, Net ($ Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020E</th>
<th>2021F</th>
<th>2022F</th>
<th>2023F</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2.0</td>
<td>1.9</td>
<td>3.8</td>
<td>5.2</td>
<td>4.9</td>
<td>4.6</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020E</td>
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<td>2022F</td>
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<td>2023F</td>
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</tbody>
</table>

Source: A4A, equity analysts and filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United
In 2020, S&P Has Lowered Its Credit Ratings on Eleven U.S. and Canadian Airlines*
Ratings Actions Taken to Reflect Weakened Financial Condition and Heightened Risk

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

Source: Standard & Poor’s

A-
BBB+
BBB
BBB-
BB+
BB
BB-
B+
B
B-
CCC+
CCC
CCC-
CC
C
D

Alaska
Allegiant
American
Delta
Hawaiian
JetBlue
Southwest
Spirit
United
Air Canada
WestJet
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

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
In 3Q 2020, Air-Cargo Demand Reached an All-Time High
Air Cargo Had Taken 10 Years to Recover From the Global Financial Crisis and Subsequent 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*
“COVID-19 has brought about an acceleration of digital competency across demographic cohorts. We have a lot of different people who fly through the airport. We are constantly thinking about the experience we present to them. And if people have become more technology savvy, more digitally competent, that means we can accelerate and roll out the contactless passenger journey across many platforms—and there will be an acceptance of and a desire for them.”

“Airports and airplanes are cleaner than they’ve ever been and will continue to be that way because it’s important for restoring confidence in air travel. We expect the new hygiene and enhanced-cleaning protocols we’ve implemented to continue. Passengers can expect that from airports and airlines going forward.”

Source: McKinsey & Company interview with Massachusetts Port Authority CEO Lisa Wieland (Nov. 20, 2020)