



**Airlines for America<sup>®</sup>**

**We Connect the World**

## **Emerging From the Pandemic**

Updated November 24, 2021

*“To suggest that the airlines should have better prepared for this environment seems akin to suggesting Pompeii should have invested more heavily in firefighting technology.” (JPMorgan, Mar. 22, 2020)*

# Key Points

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- » New ticket sales are rising but demand for corporate and long-haul international air travel continues to lag, leaving revenues depressed.
- » Average fares remain well below 2019 levels.
- » Air cargo demand, which reached a record high in 2020, has risen further in 2021.
- » As with numerous other industries, airlines are facing inflationary pressures.
- » Debt (and interest expense) will remain elevated through at least 2024.

# A Multiyear, Multistage Recovery Is Underway

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**Contain  
the Virus**



**Stabilize the  
Economy**



**Increase  
Efficiency**

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

**Traffic  
Recovery**



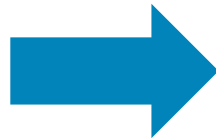
**Revenue  
Recovery**



**Financial  
Recovery**

Cost-Reduction Initiatives + Business Model Adaptation + Debt Reduction

**Reduce  
Cash Burn**



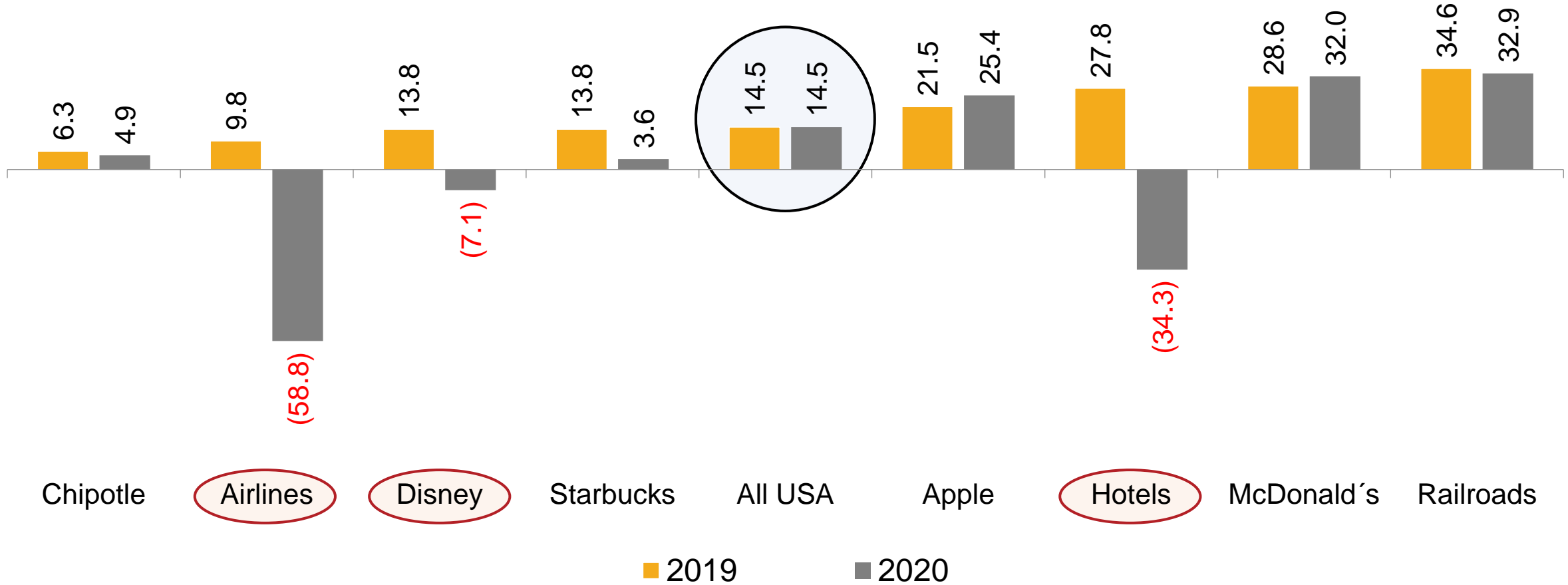
**Restore Profitability  
& Rebuild Margins**



**Repair Balance  
Sheets**

# In 2020, Travel-Sector Profitability Took a Massive Hit; Overall Corporate Profitability Was Flat

Pre-Tax Profit Margin (% of Operating Revenues)



Source: Company SEC filings

Note: Airlines = Alaska/Allegiant/American/Delta/Hawaiian/JetBlue/Southwest/Spirit/United; Hotels = Choice/Hilton/Hyatt/Marriott/Wyndham; Railroads = CSX/Norfolk Southern/Union Pacific

# The Largest U.S. Passenger Airlines Incurred \$841 Million in Pre-Tax Losses in YTD 3Q 2021

## Results Boosted Materially by \$19B in Federal Payroll Support Program (PSP) Funds

Financial Results (in \$ Billions)	Jan-Sep 2021	% vs. 2019	% of Category
Passenger (RPMs down 42%, yield down 8%)	67.8	(47)	83.6
Cargo	3.6	53	4.5
Other <sup>1</sup>	9.7	(9)	12.0
<b>Total operating revenues</b>	<b>81.1</b>	<b>(41)</b>	<b>100.0</b>
Salaries, wages and benefits*	33.3	(6)	42.7
Aircraft fuel and related taxes	17.7	(10)	22.7
Maintenance materials and repairs	5.0	(1.5)	6.4
Landing fees and airport rentals	7.6	0.6	9.8
Depreciation and amortization <sup>2</sup>	7.1	0	9.2
Other <sup>3</sup>	7.2	(10)	9.2
<b>Total operating expenses</b>	<b>77.9</b>	<b>(45)</b>	<b>100.0</b>
Interest and other non-op expenses, net	4.0	2	n/a
<b>Pre-tax income/(loss)</b>	<b>(0.8)</b>	<b>n/a</b>	<b>n/a</b>

Includes the benefit of ~\$19B in federal PSP funds.

1. 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.

2. Related primarily to ownership of aircraft, ground support equipment, information technology, etc.

3. Aircraft rents, professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regional carriers, etc.

Source: Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

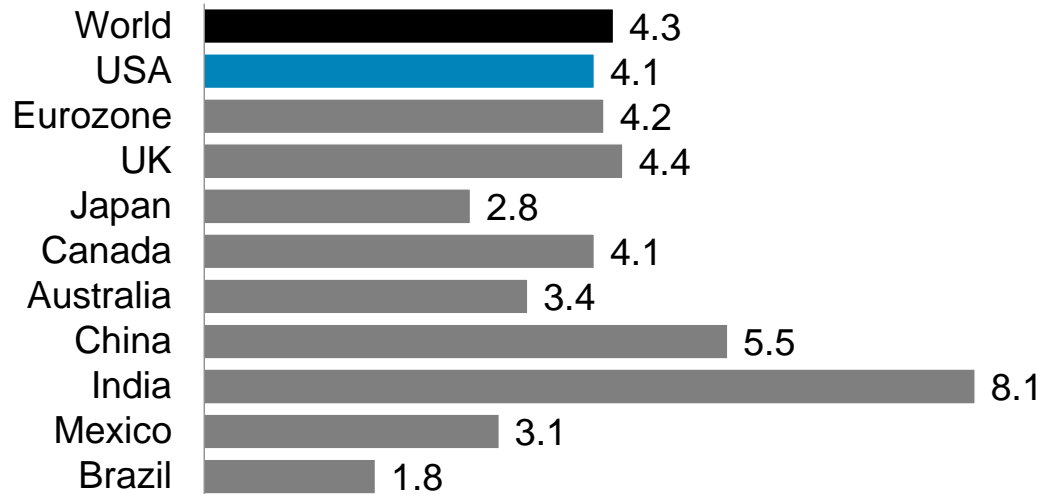
\* Includes the benefit of ~\$19B in federal PSP funds (Jan. 1-Sept. 30, 2021)

# Per Wells Fargo, the Global Economy Will Grow 4.3% in 2022

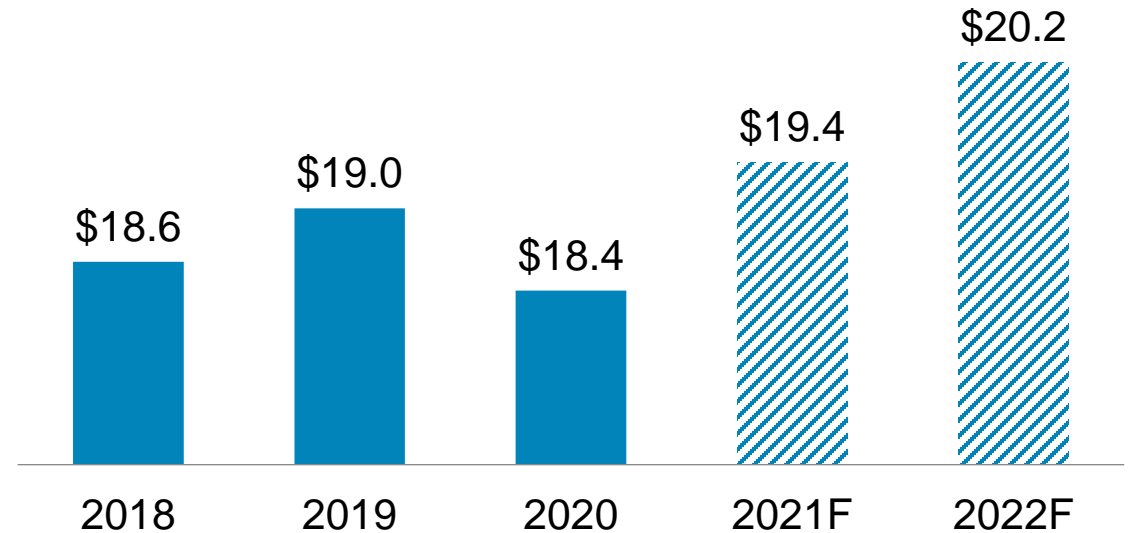
## The U.S. Economy Is Projected to Grow 4.1%

“Widespread labor shortages, overwhelmed supply chains and mounting inflation pressures have come to be unfortunate hallmarks of the economic recovery from the pandemic-induced recession. **Many of these headwinds, however, are side effects from the unexpectedly strong bounce back in overall economic growth...** [W]e expect these constraints to gradually ease over the course of the next two years, which will help foster a still-robust pace of economic growth...” (Wells Fargo, Nov. 12, 2021)

### Projected 2022 Real GDP Growth (%)



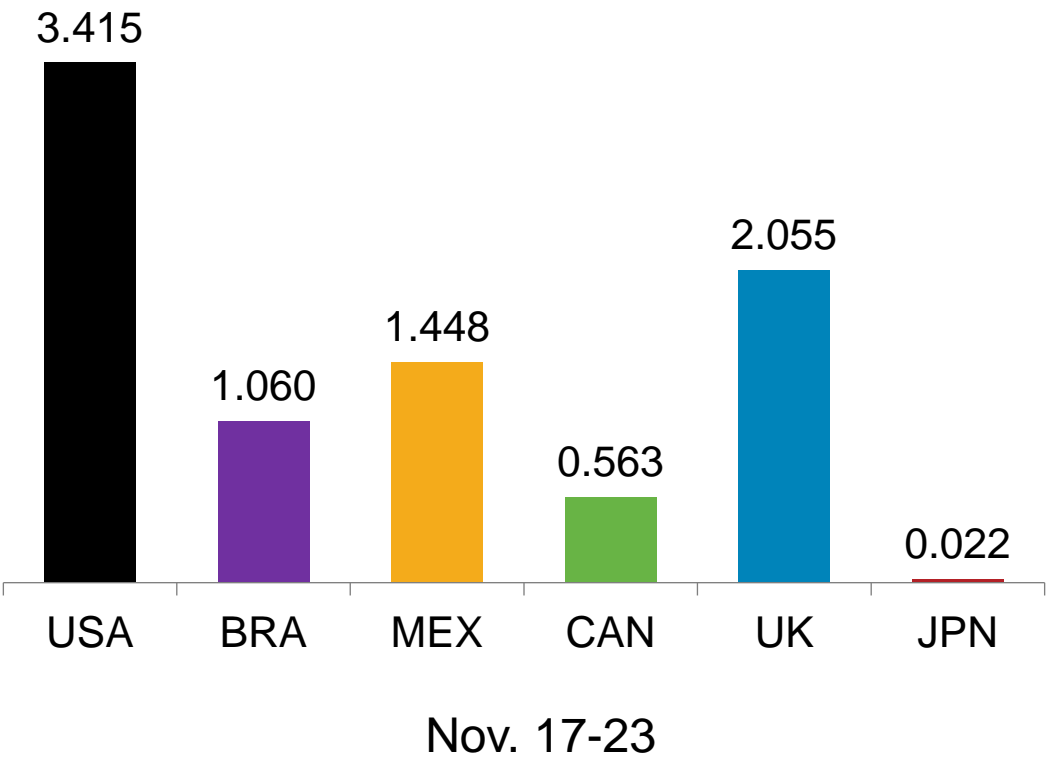
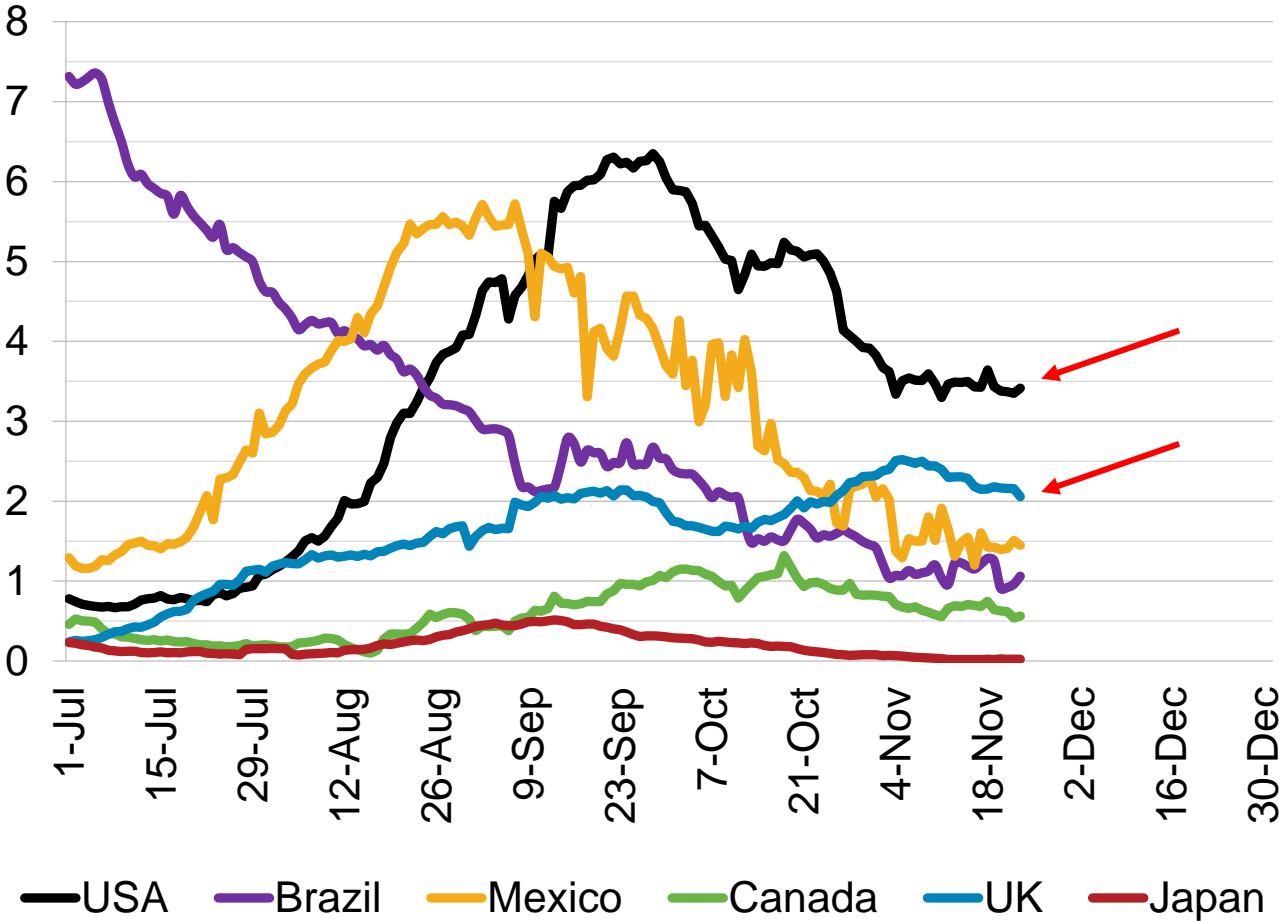
### U.S. Real GDP (Trillions, \$2012)



Source: Wells Fargo Securities (Nov. 12, 2021)

# COVID-19 Fatality Rates Have Generally Fallen But Remain Elevated in Some Key Markets

New Confirmed COVID-19 Deaths (7-Day Moving Average) per Million People



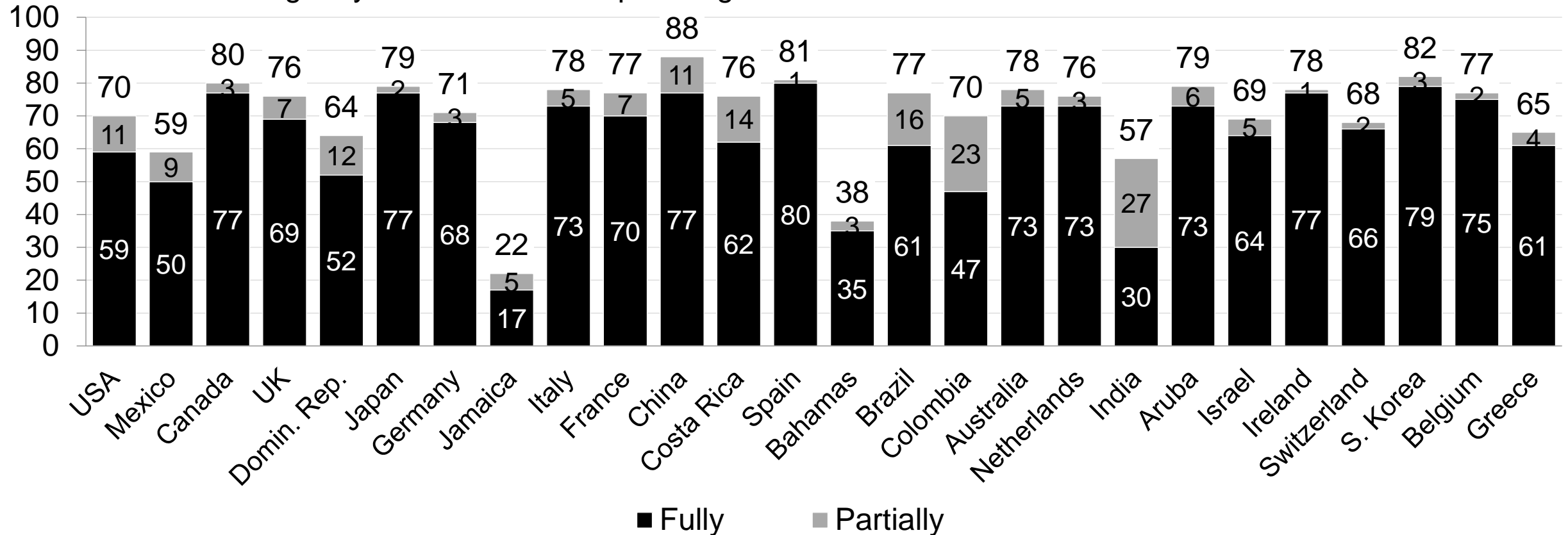
Source: Johns Hopkins University Center for Systems Science and Engineering via Our World in Data (a project at the University of Oxford)

# In 12 of the Top U.S.-International Markets, at Least 70% of the Population Is *Fully* Vaccinated

## In 17, at Least 70% of the Population Has Received at Least One Dose of an Approved Vaccine

### % of Entire Population Vaccinated\* in Selected U.S.-International O&D Markets

Sorted left to right by U.S.-carrier O&D passenger volume in 2019



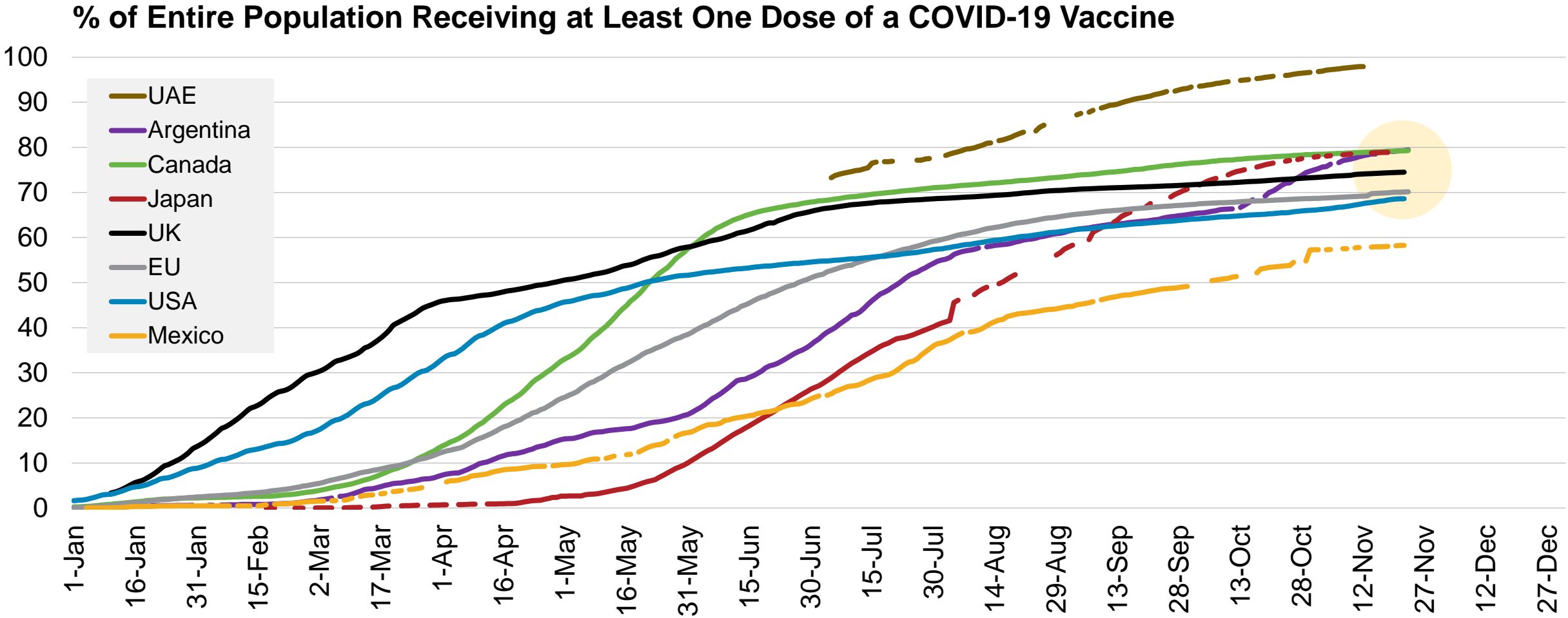
Source: Our World in Data (a project at the University of Oxford using governmental sources) via *The New York Times* and DOT Data Bank 1B

\* Partially = received at least one dose of a vaccine as of Nov. 24, 2021



# Argentina Has Now Overtaken Canada With Respect to Percentage of Population Vaccinated

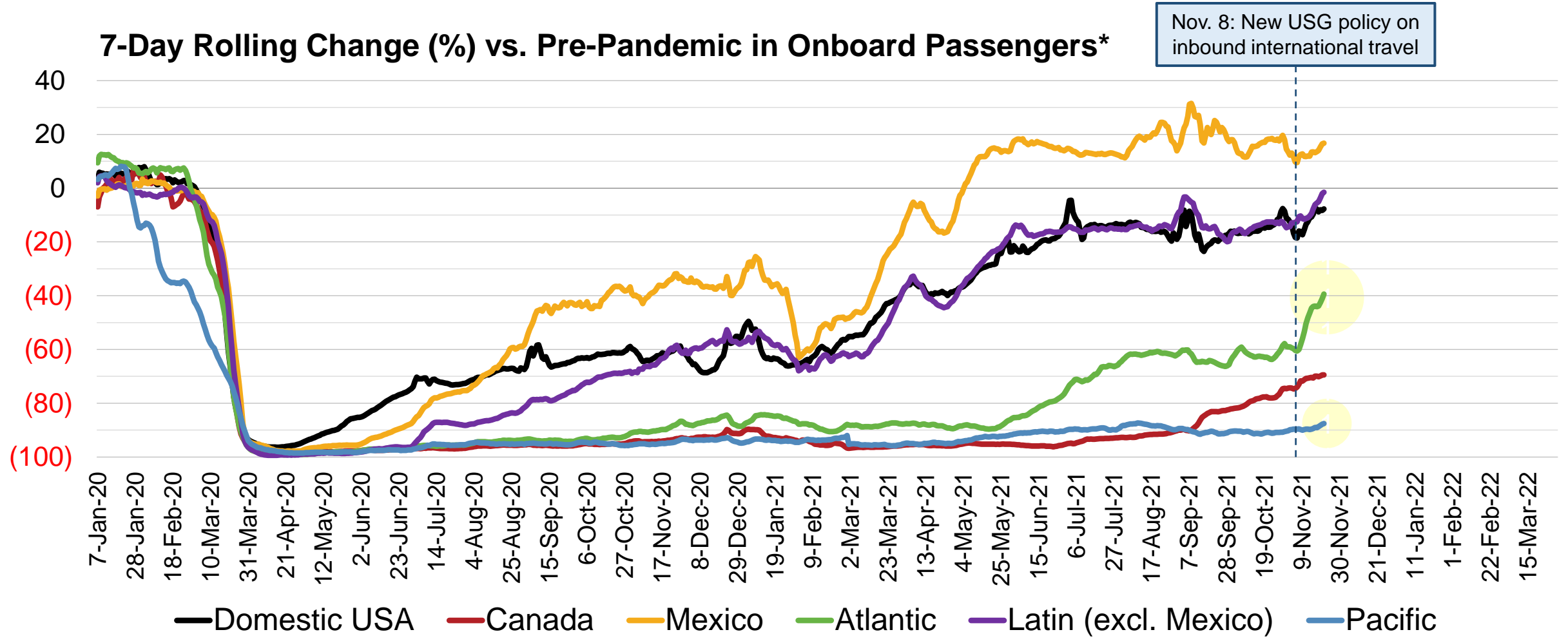
UAE/Canada/Japan/Argentina/UK/EU Are Among Those Exceeding the USA



Source: Our World in Data (a project at the University of Oxford using governmental sources)

# In Most Recent Week, U.S. Airline Passenger Volumes Were 10% Below Pre-Pandemic Levels

Domestic Air Travel Down 8%, International Air Travel Down 25%

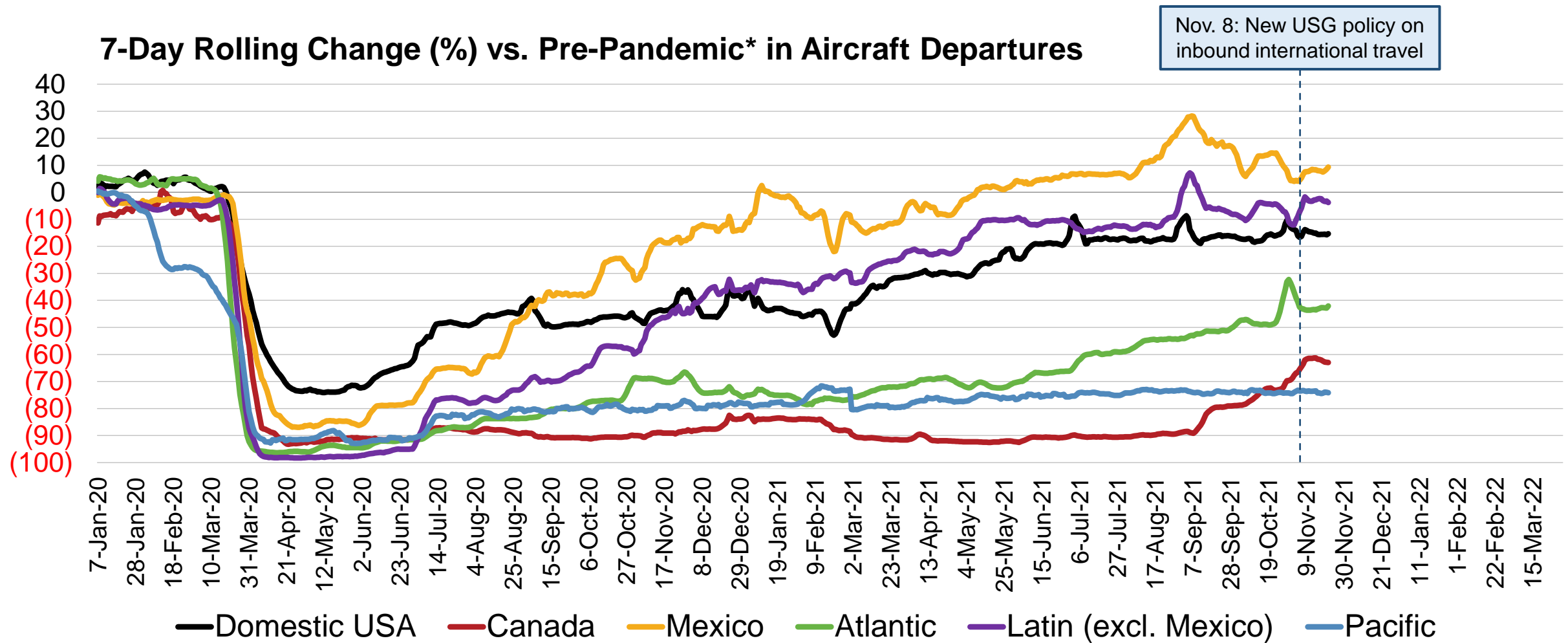


Source: A4A member passenger airlines and branded code share partners

\* Onboard ("segment") passengers; "pre-pandemic" precedes March 1, 2020

# In Most Recent Week, U.S. Passenger Airline Departures Were 16% Below Pre-Pandemic Levels

Domestic Flights Operated Down 15%, International Flights Operated Down 23%

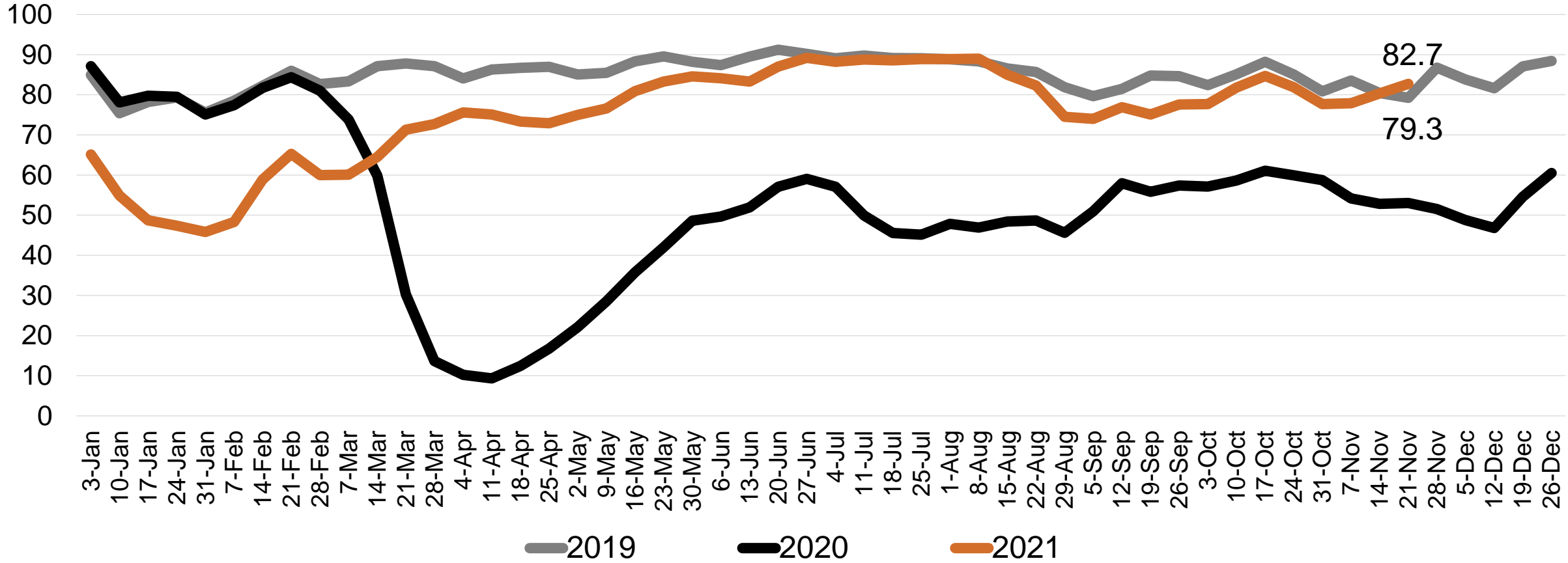


Source: A4A member passenger airlines and branded code share partners

\* "Pre-pandemic" precedes March 1, 2020

# In Nov. 15-21, Average Domestic U.S. Load Factor Exceeded Pre-Pandemic Levels

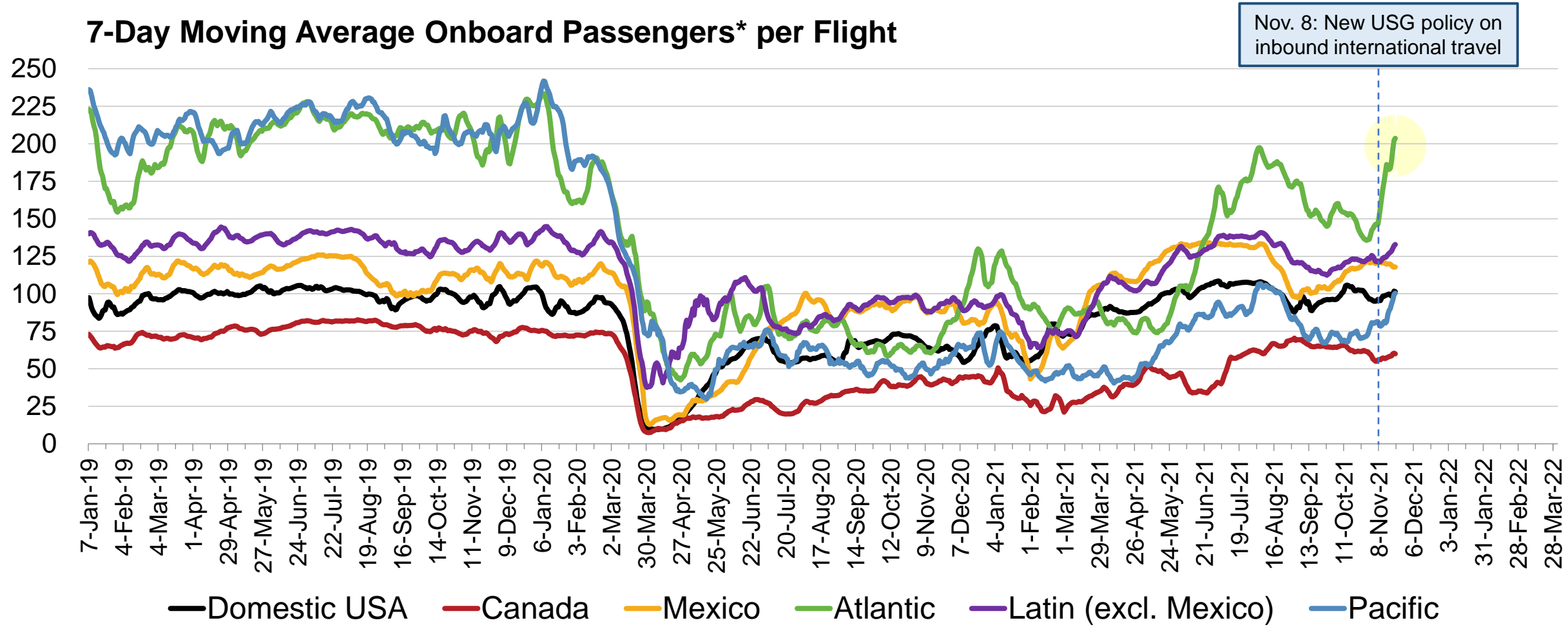
Weekly Average Domestic U.S. Load Factor\* (%)



Source: A4A member passenger airlines and branded code share partners

\* Revenue passenger miles divided by available seat miles

# Post Re-Opening, Transatlantic Onboard Volumes Notably Improved

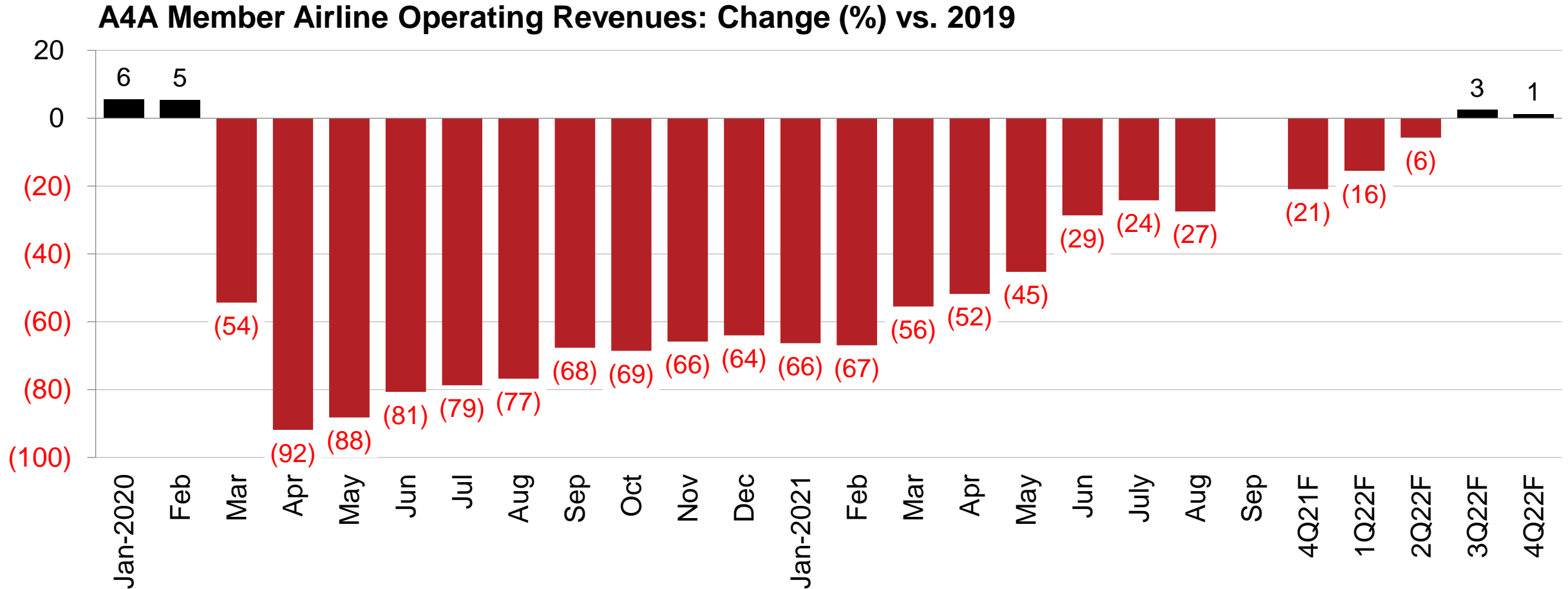


Source: A4A member passenger airlines and branded code share partners

\* Onboard ("segment") passengers

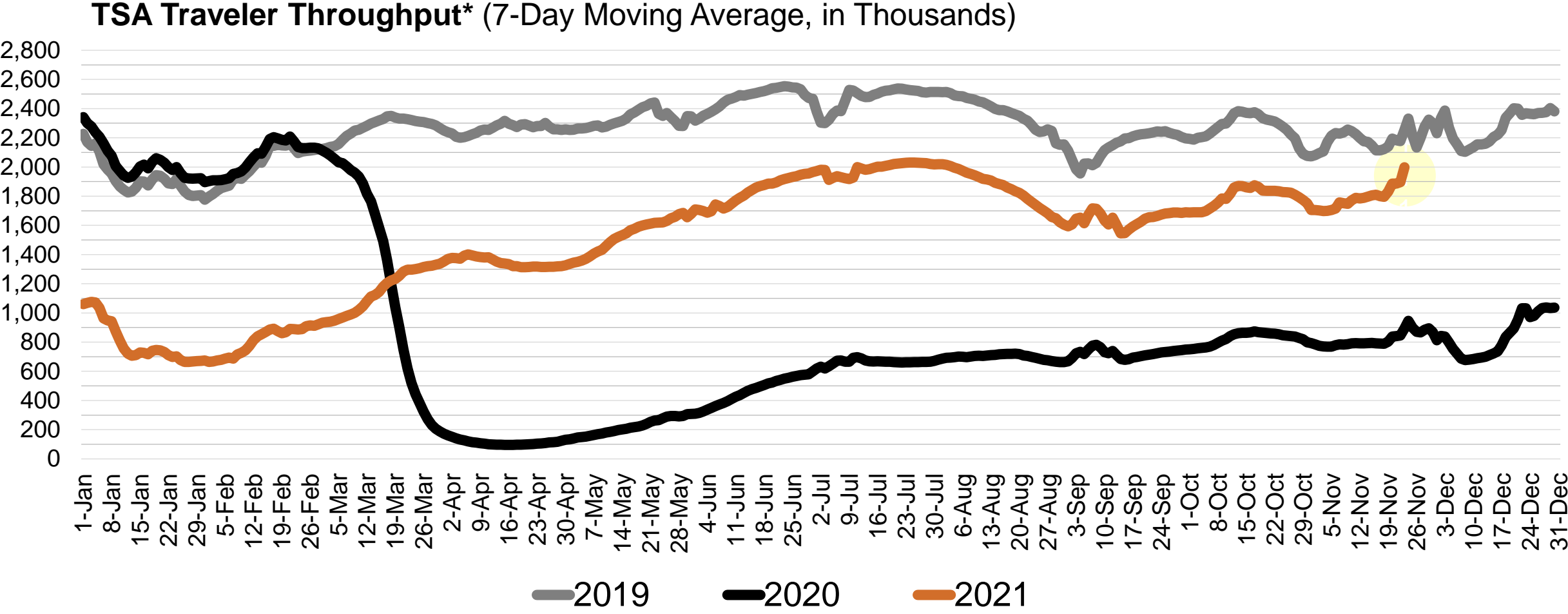
# U.S. Airline Revenues Have Improved But Remain Below 2019 Levels

Revenues Are Expected to Return to Pre-Pandemic Levels in Second Half of 2022



Sources: Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United as reported to A4A on a consolidated company basis; forecasts from various equity analysts

# In Most Recent Seven Days, TSA Checkpoint Volumes Fell 11.4% Below 2019 Levels

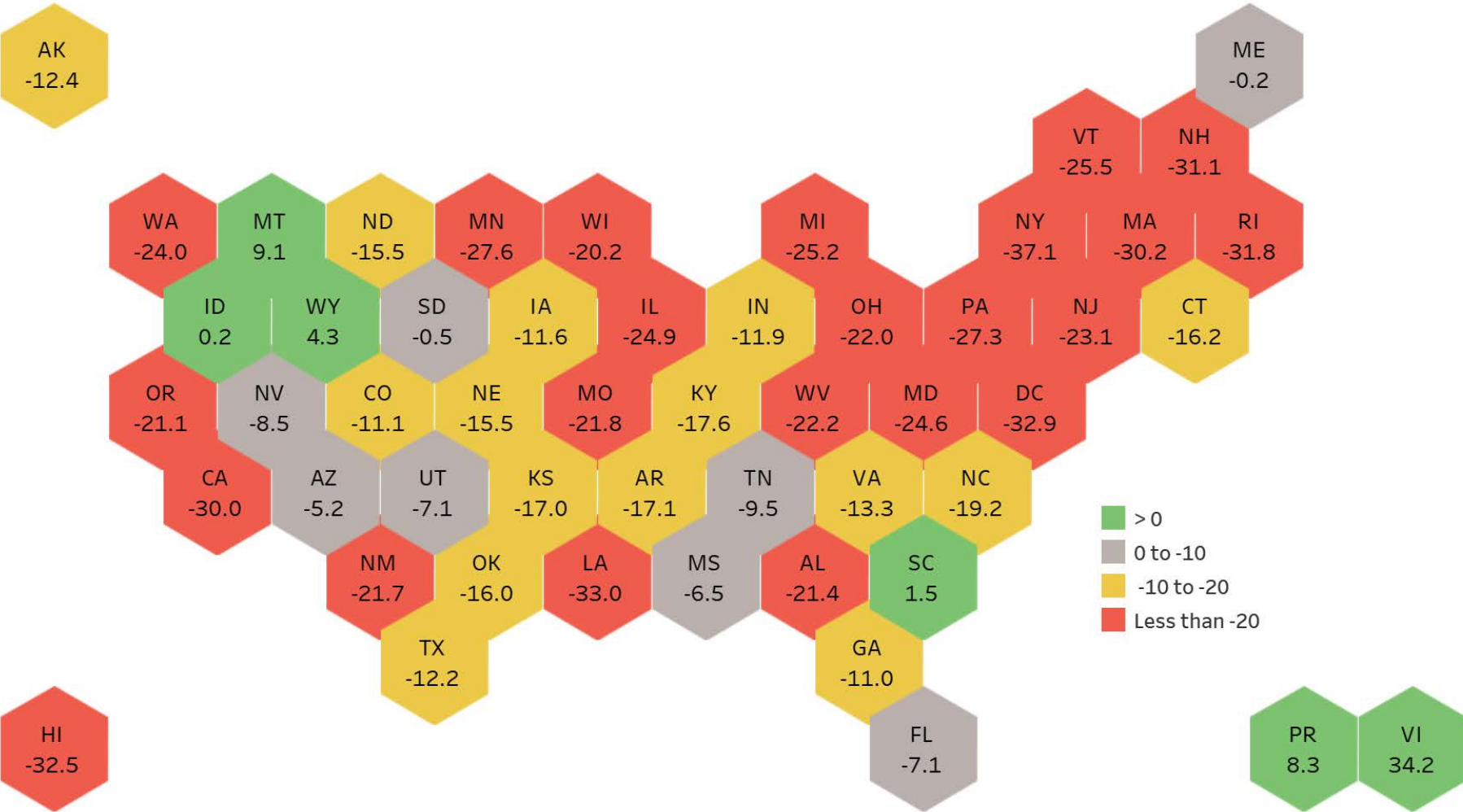


Source: Transportation Security Administration

\* U.S. and foreign carrier customers (excluding Known Crewmember® personnel) traversing TSA checkpoints

# In October, Demand Was Notably Strong in Montana, Wyoming and the Caribbean

## Change (%) in TSA Traveler Throughput by U.S. State/Territory — Oct. 2021 vs. Oct. 2019



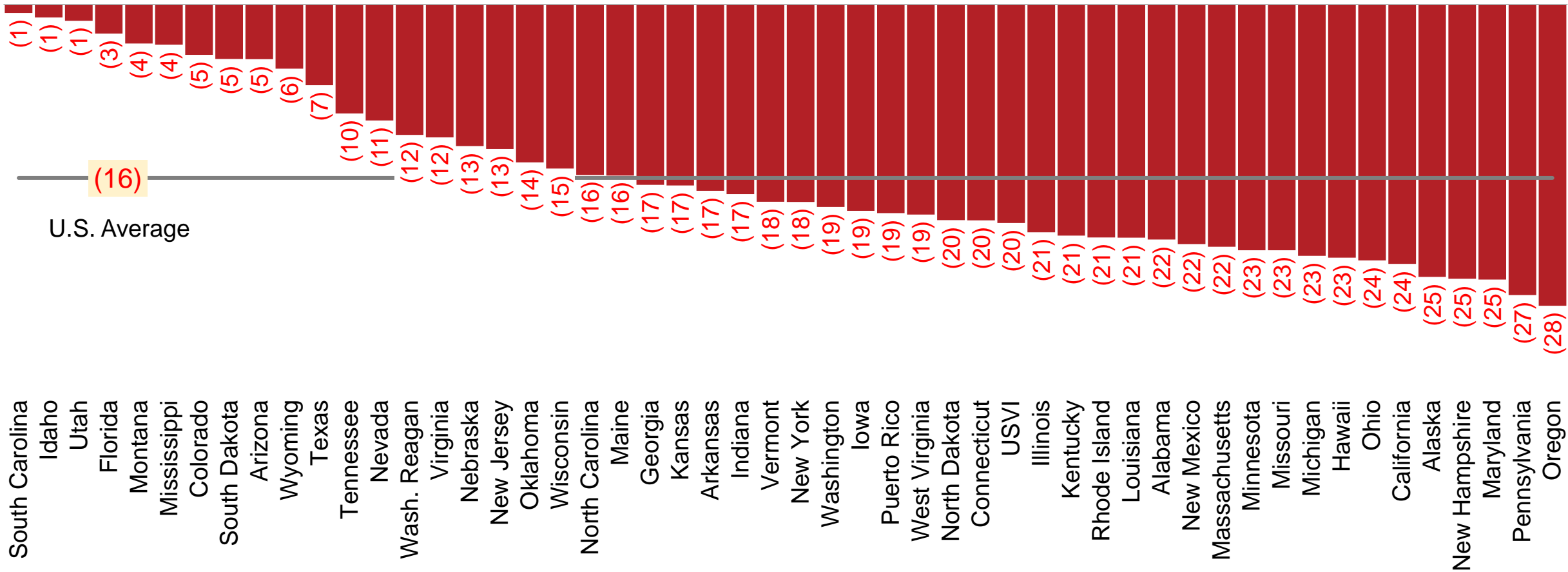
Source: Transportation Security Administration



# U.S. Airports Are Showing a 16% Decline in Fourth-Quarter Flights vs. Pre-Pandemic Levels

## All States Showing Declines; Oregon and Pennsylvania Seeing Largest Cuts

Change (%) in U.S. Outbound Scheduled Passenger Flights: 4Q21 vs. 4Q19

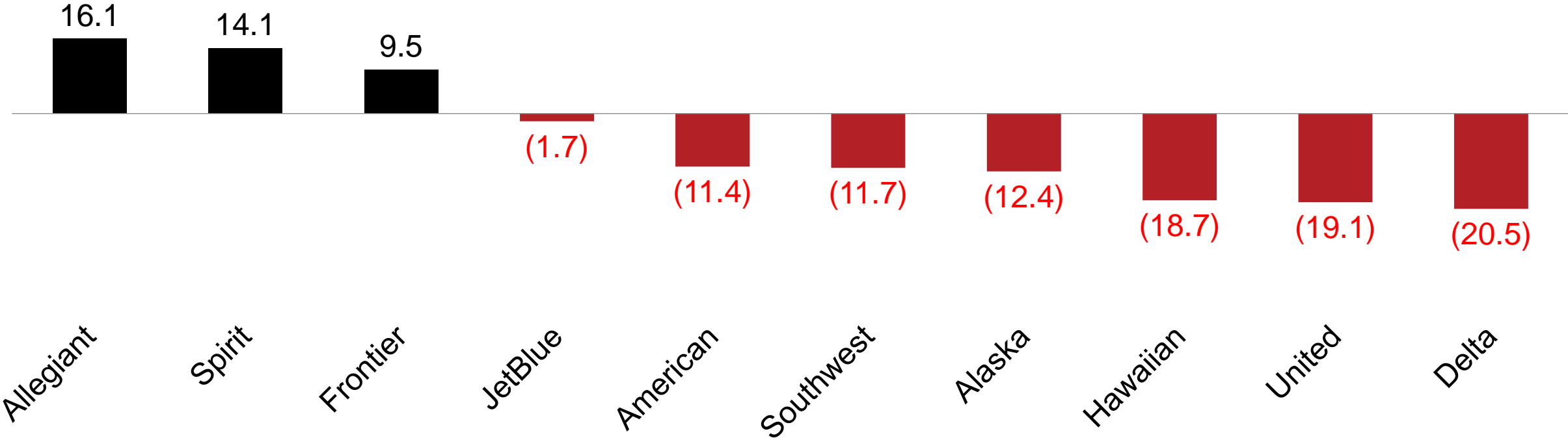


Source: Diio by Cirium published schedules (Nov. 19, 2021) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

# Only Three U.S. Airlines Are Deploying More Capacity in Dec-2021 Than in Dec-2019

Allegiant and Spirit Growing the Fastest; Delta/United/Hawaiian Down the Most

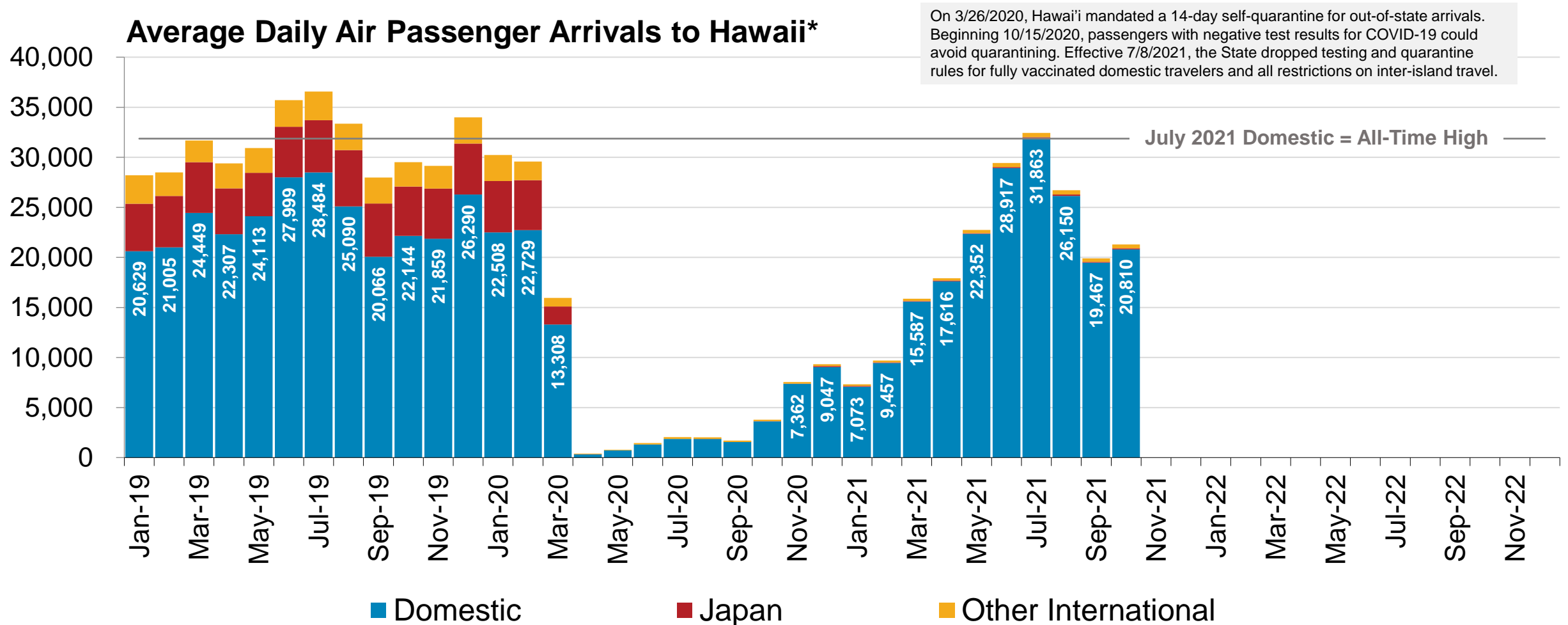
Change (%) in Systemwide Scheduled Available Seat Miles: Dec-2021 vs. Dec-2019



Source: Diio by Cirium published schedules (Nov. 19, 2021)

# In July 2021, Domestic Air Travel to Hawaii Reached an All-Time High

## International Air Arrivals (Especially From Japan) Remain Far Below Pre-Pandemic Levels

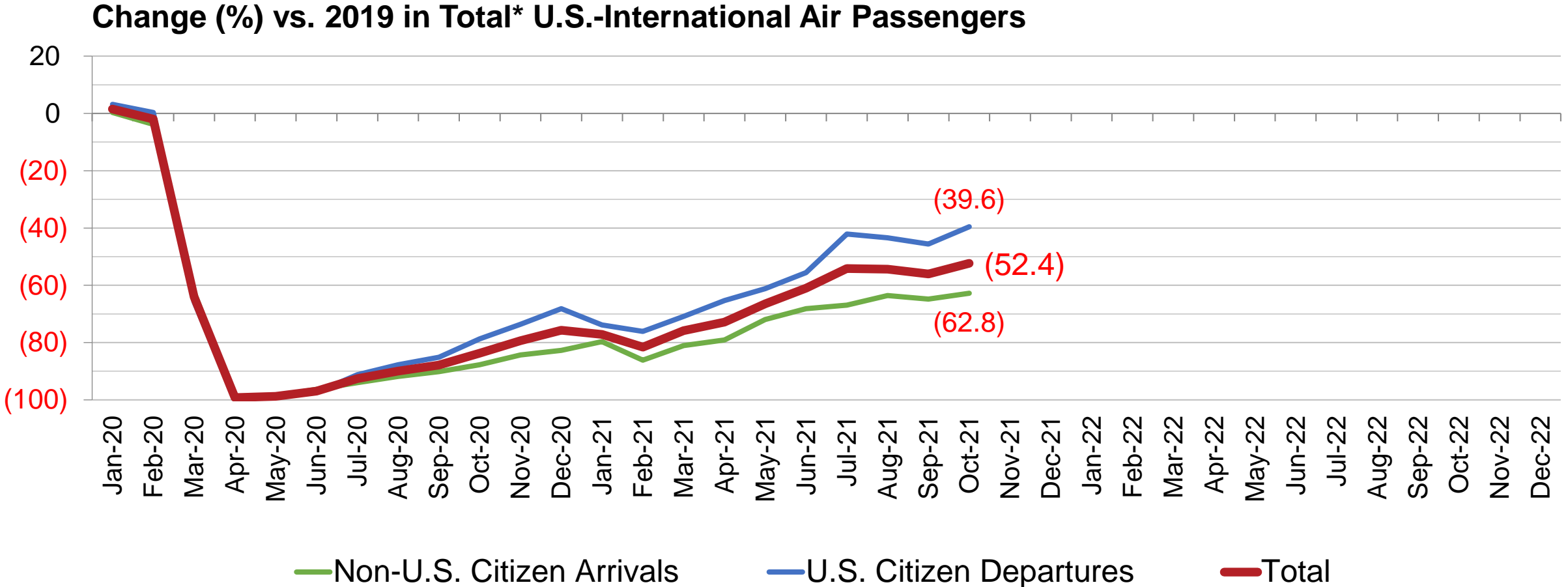


Source: Hawaii Department of Business, Economic Development & Tourism

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

# In October 2021, U.S.-International Air Travel\* Fell 52% Below 2019 Levels

## Non-U.S. Citizen Arrivals Trailed U.S. Citizen Departures by ~23 Percentage Points



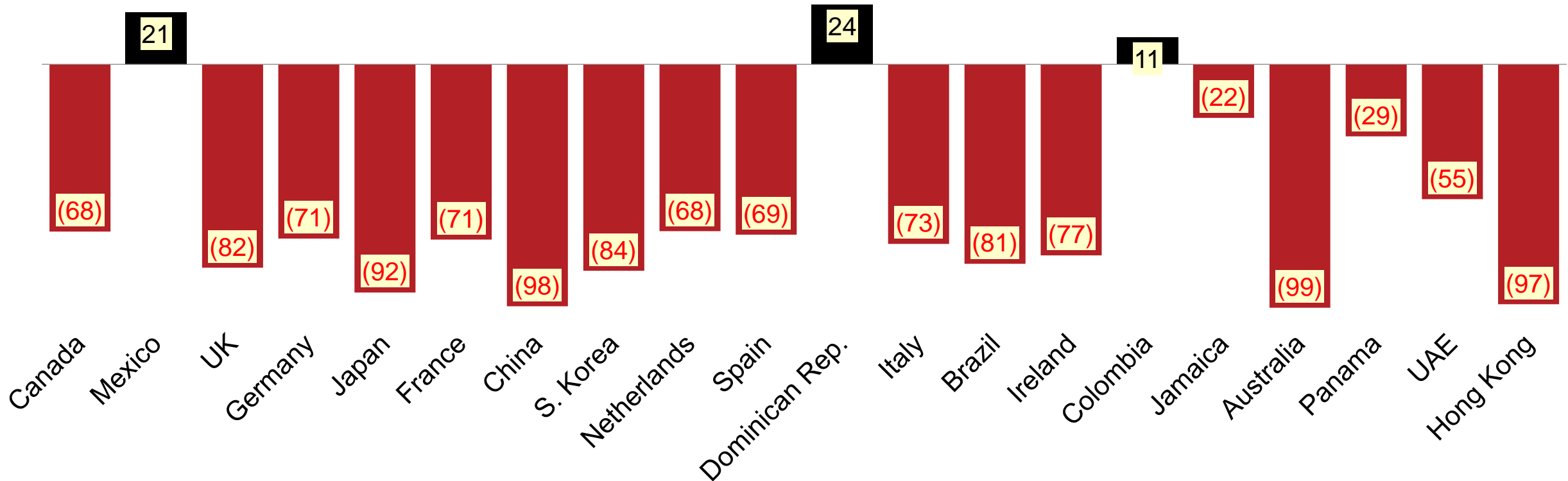
Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data

\* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

# Of the 20 Largest U.S. Country Pairs in Oct. 2019, Seven *Fell More Than 80%* in Oct. 2021

## U.S.-Mexico/Colombia/Dominican Republic Saw Volumes *Rise*

**Top-20 U.S. Country Pairs: Change (%) in Passengers\* in Oct-2021 vs. Oct-2019**  
 Sorted left to right by highest volume in October 2019



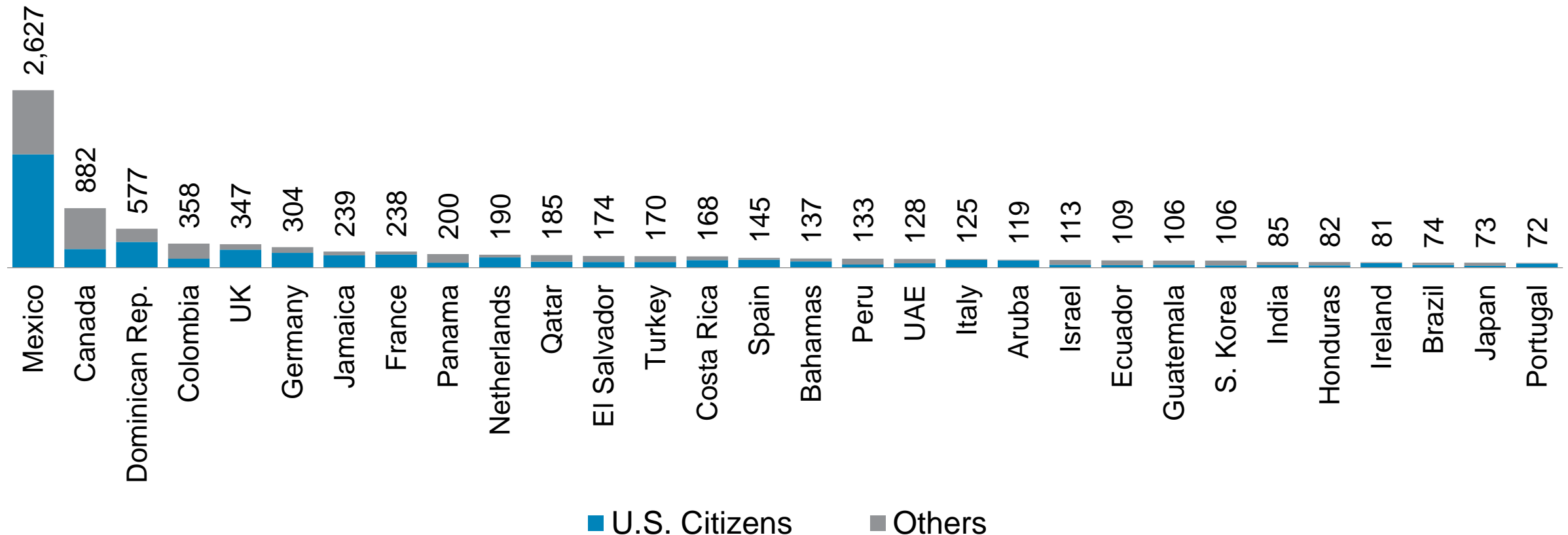
Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

\* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

# In October, 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 (VFR)

October 2021: Top-30 U.S. Country Pairs by Total Nonstop Air Passengers\* (000)

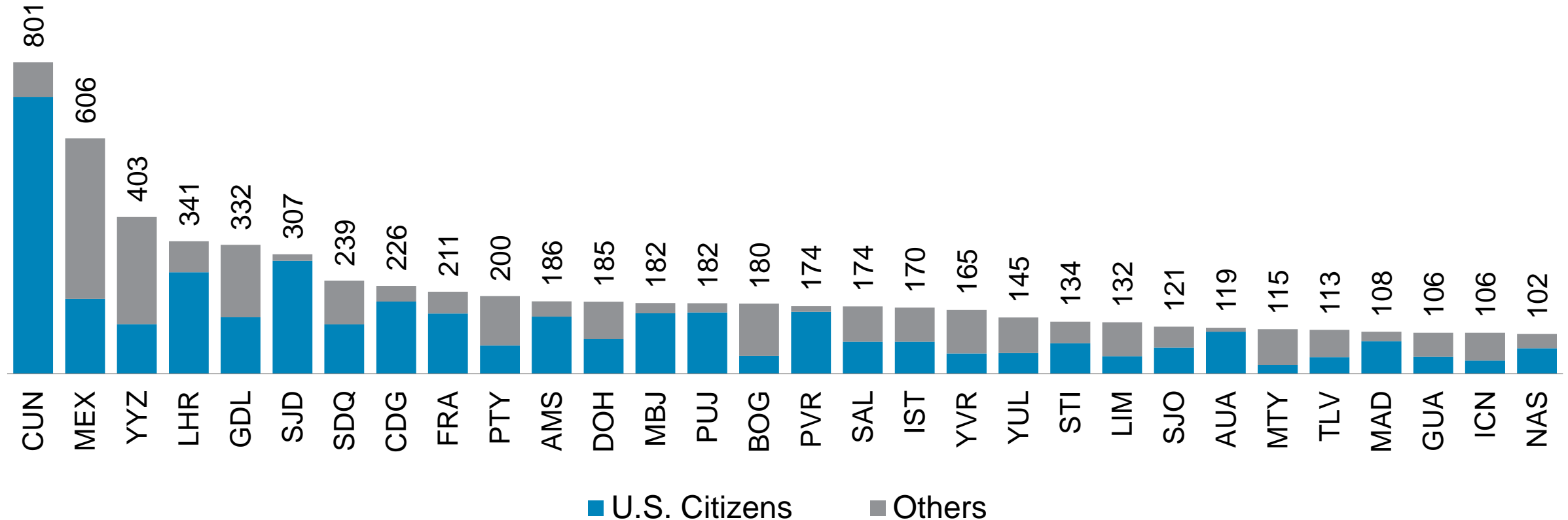


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

\* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

# In October, Cancun and Mexico City Were the Busiest Foreign Air-Travel Gateways to/from USA

October 2021: Top-30 Foreign Gateways to/from USA by Total Nonstop Air Passengers\* (000)

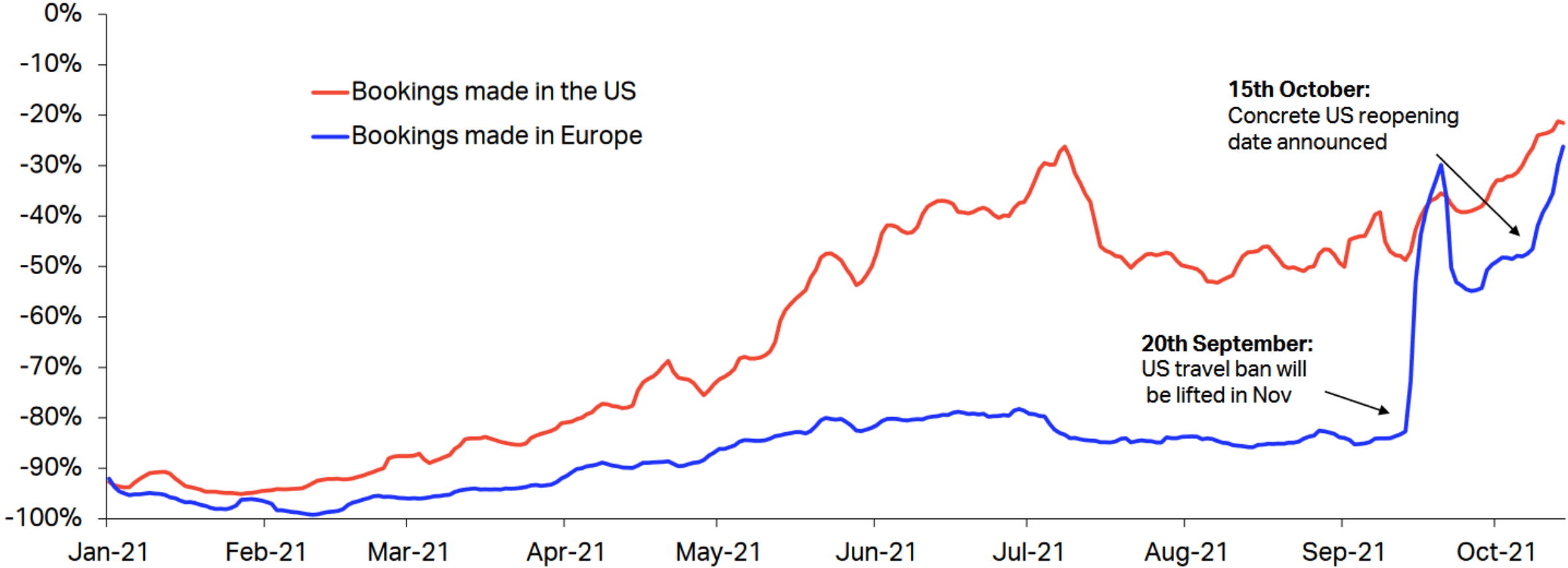


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

\* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

# IATA: Europe-U.S. Bookings Surged on U.S. Reopening

Bookings US-Europe, 7-day MA in % change vs 2019

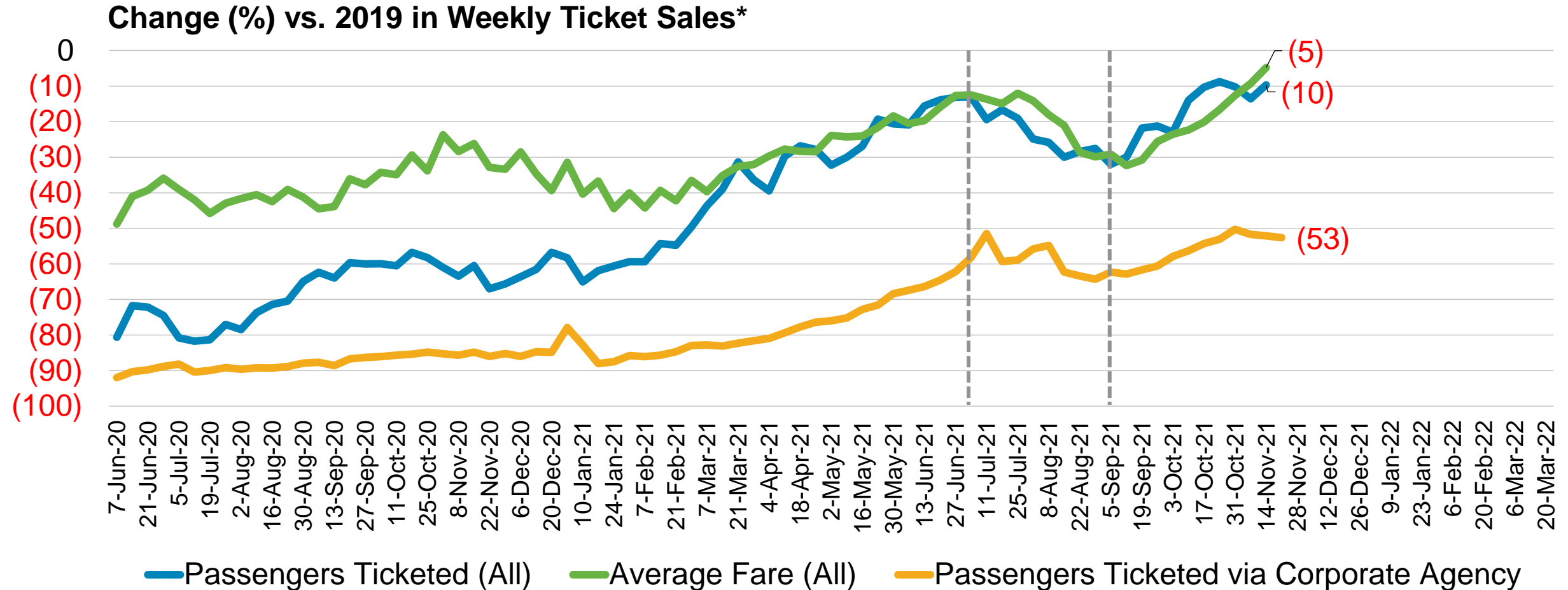


Source: IATA Economics (<https://www.iata.org/en/publications/economics/#>) as of Nov. 3, 2021



# In Most Recent Week, Airlines Ticketed 10% Fewer Passengers Than They Did Two Years Prior

## Fares Were Down 5% Due Primarily to Scarcity of Corporate and Long-Haul International Travel



Source: A4A analysis of data from Airlines Reporting Corporation (ARC)

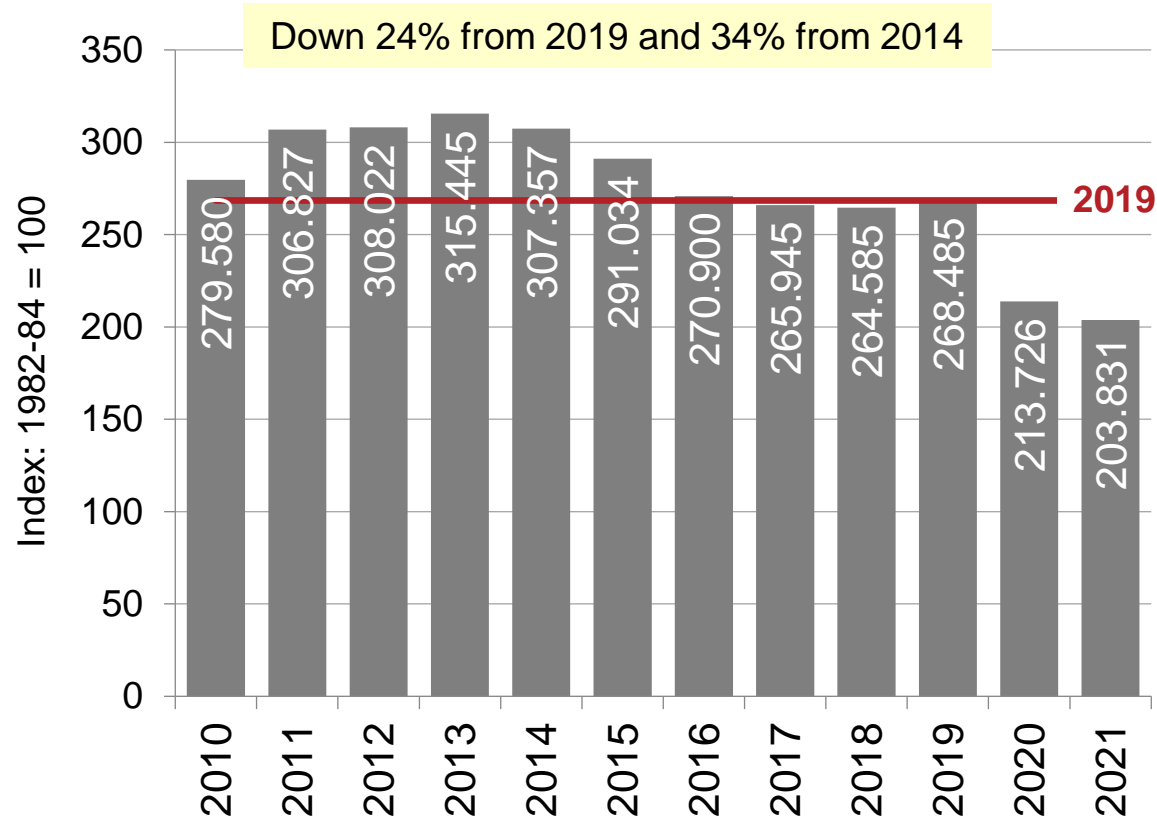
\* Net tickets and fares (gross sales minus refunds) sold in the United States for future travel to/from U.S. airports

# Government Data Shows Average Airfares Remain Lower Than Pre-Pandemic Levels

As a Component of U.S. CPI, Airfares in October 2021 Were 24% Below October 2019 Levels

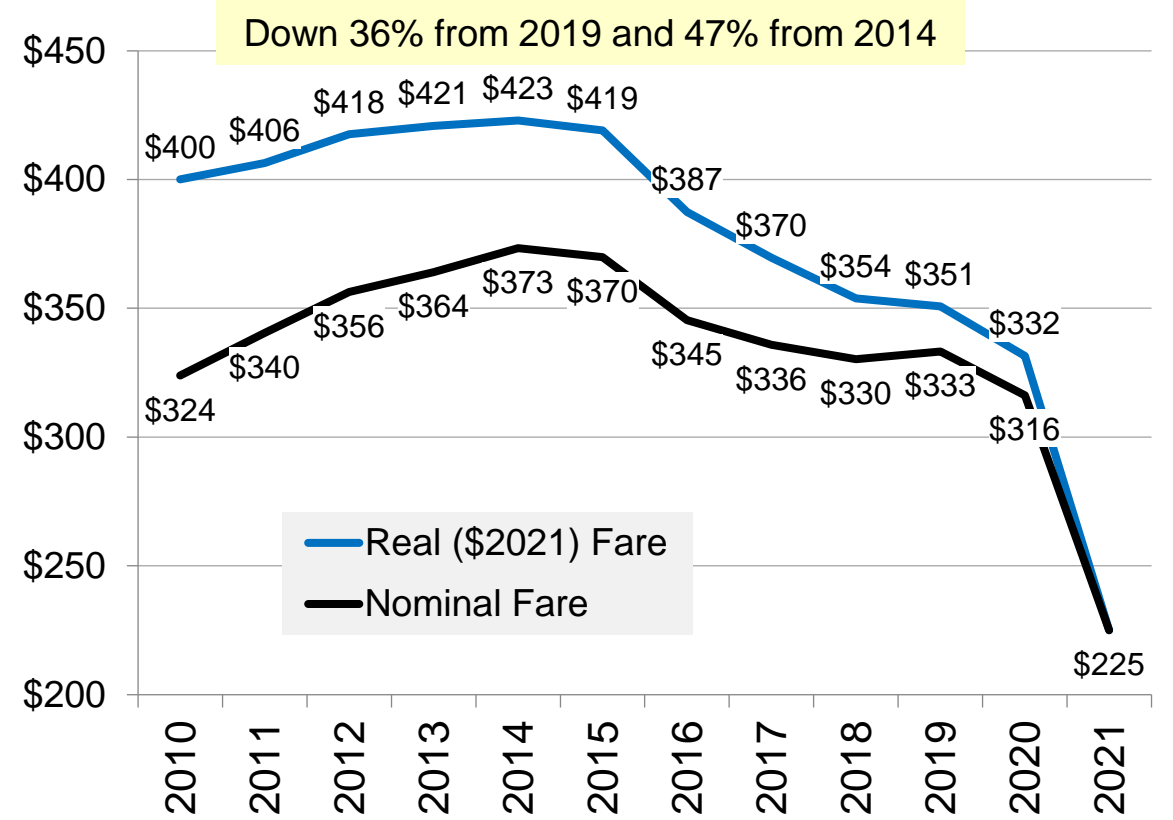
## U.S. CPI for Airline Fares (Index: 1982-84 = 100)

U.S. city average for Oct. of each year, seasonally adjusted



## Average 2Q Domestic Round-Trip Airfare

Second quarter of each year

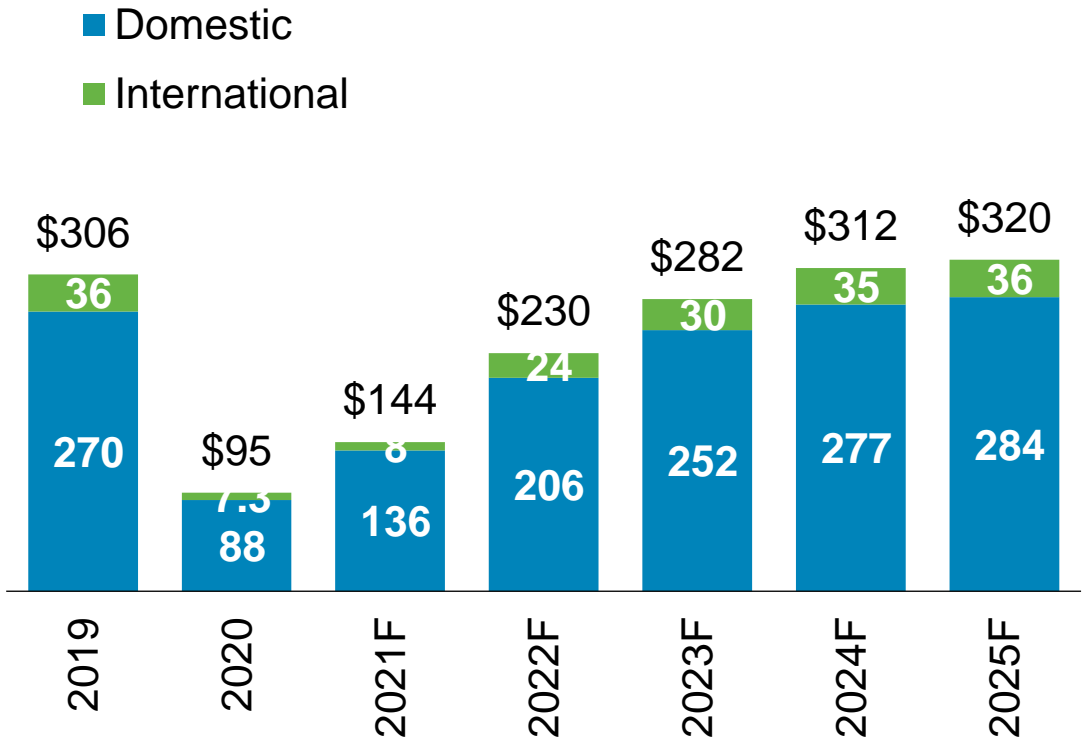


Source: Bureau of Labor Statistics (CPI series CUSR0000SETG01) and DOT Data Bank 1B (all carriers/cabins/fare basis codes)

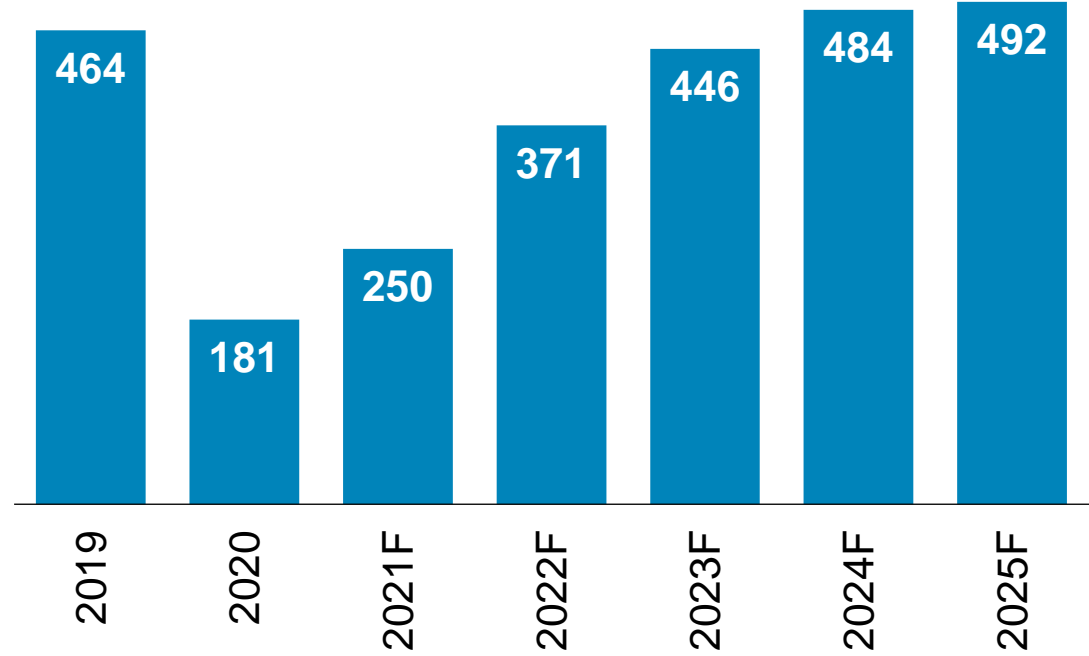
# The U.S. Travel Association Projects U.S. Business Travel to Return to 2019 Levels in 2024

Latest Forecast, Which Includes Non-Air Travel, Published Nov. 15, 2021

**U.S. Business Travel Spending\* (Billions)**



**U.S. Domestic Business Trips\* (Millions)**



Sources: Tourism Economics and U.S. Travel Association (Nov. 15, 2021)

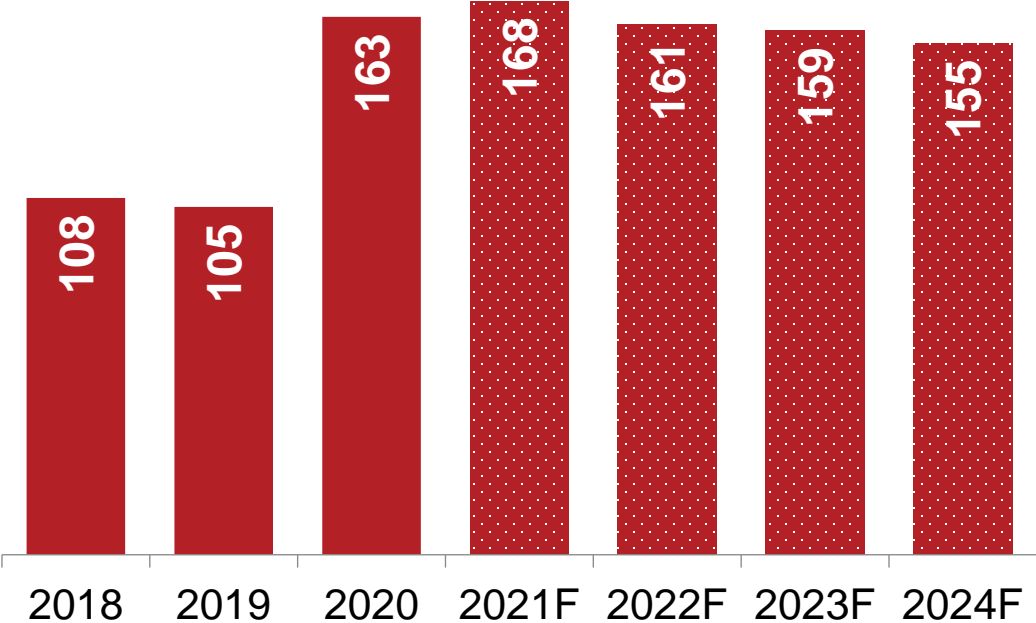
\* Includes air and non-air travel

# Airlines Have Coped in Part by Taking on Billions in Debt, With Heavy Cash Outlays for Interest

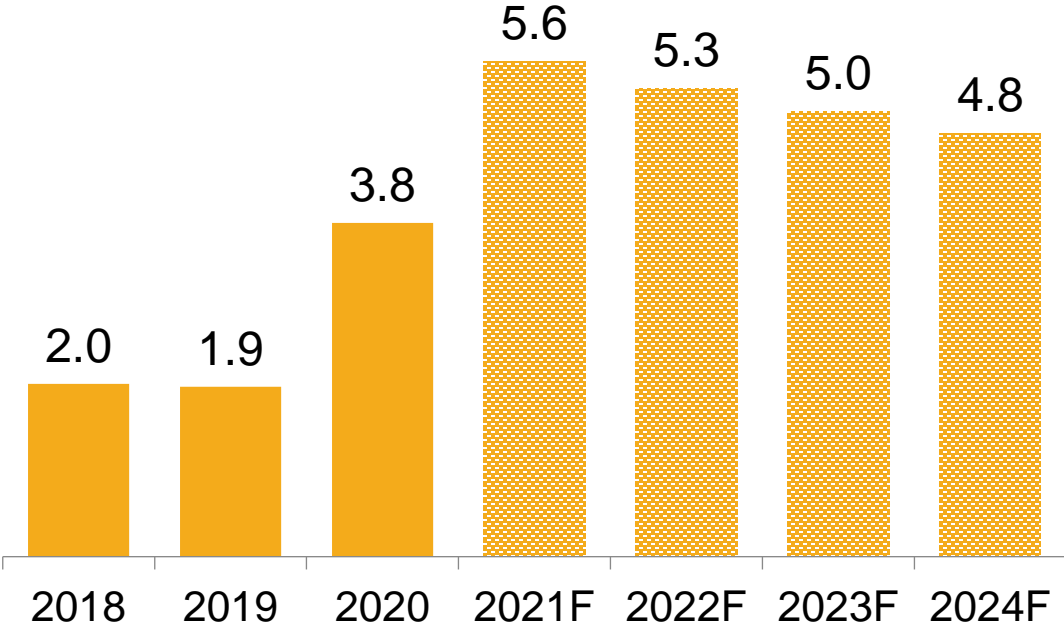
*Net Interest Expense Doubled From 2019 to 2020 and Will Exceed \$20 Billion in 2021-2024*

“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)



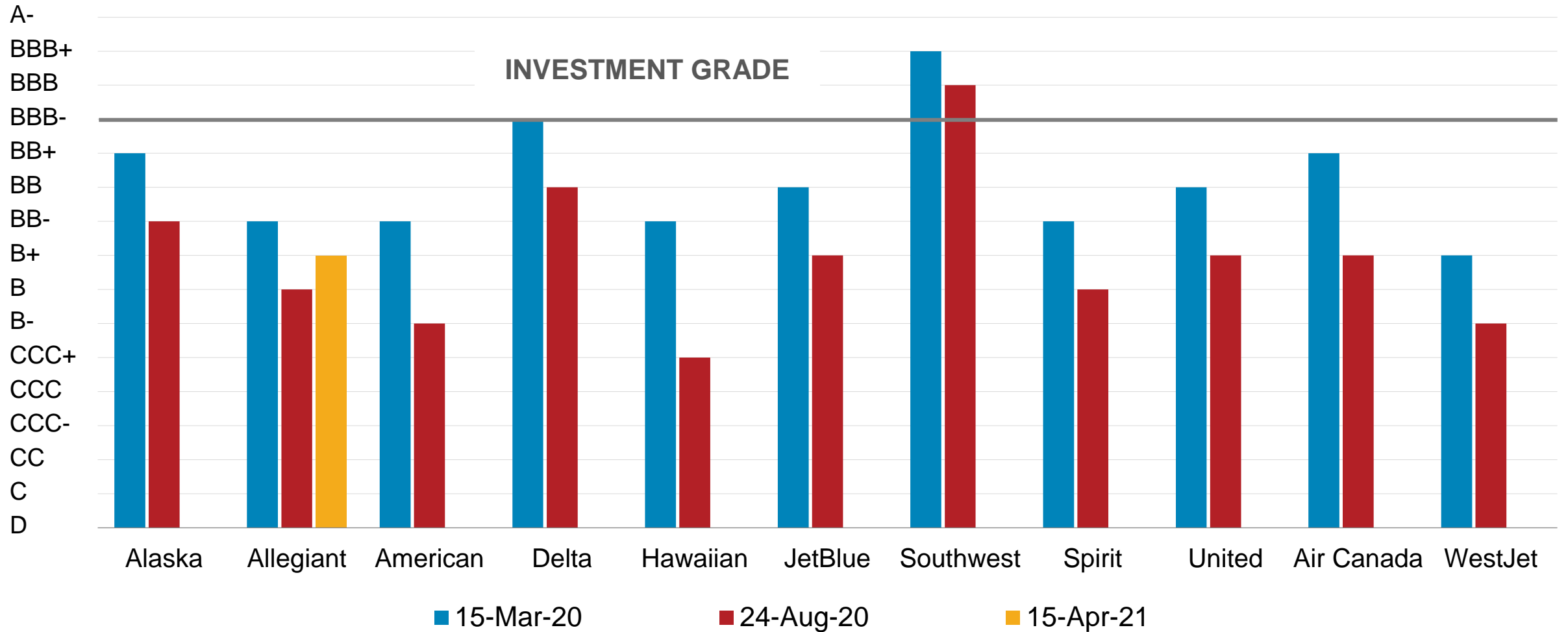
Interest Expense, Net (\$ Billions)



Source: A4A, equity analysts and filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

# In 2020, S&P Lowered Its Credit Ratings on Eleven U.S. and Canadian Airlines\*

## Ratings Actions Taken to Reflect Weakened Financial Condition and Heightened Risk

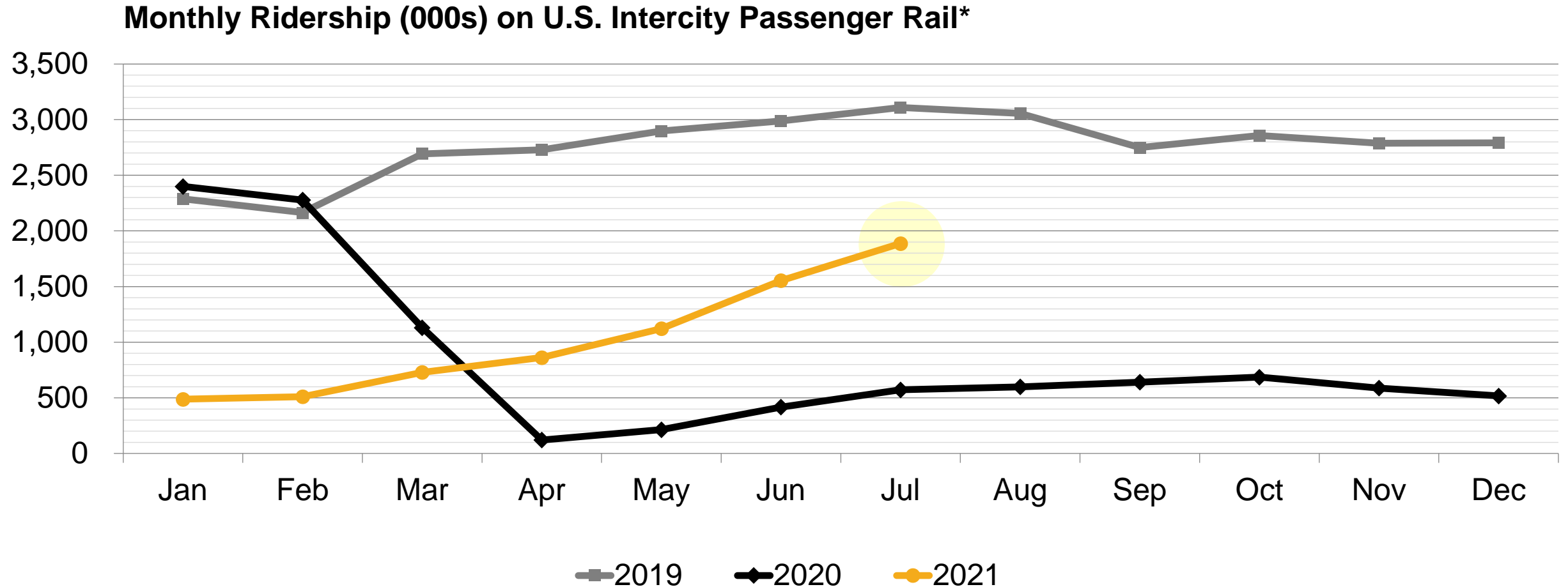


Source: Standard & Poor's

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

# Ridership on U.S. Intercity Rail Remains Far Below Pre-Pandemic Levels

July 2021 Ridership Fell 39% Below July 2019

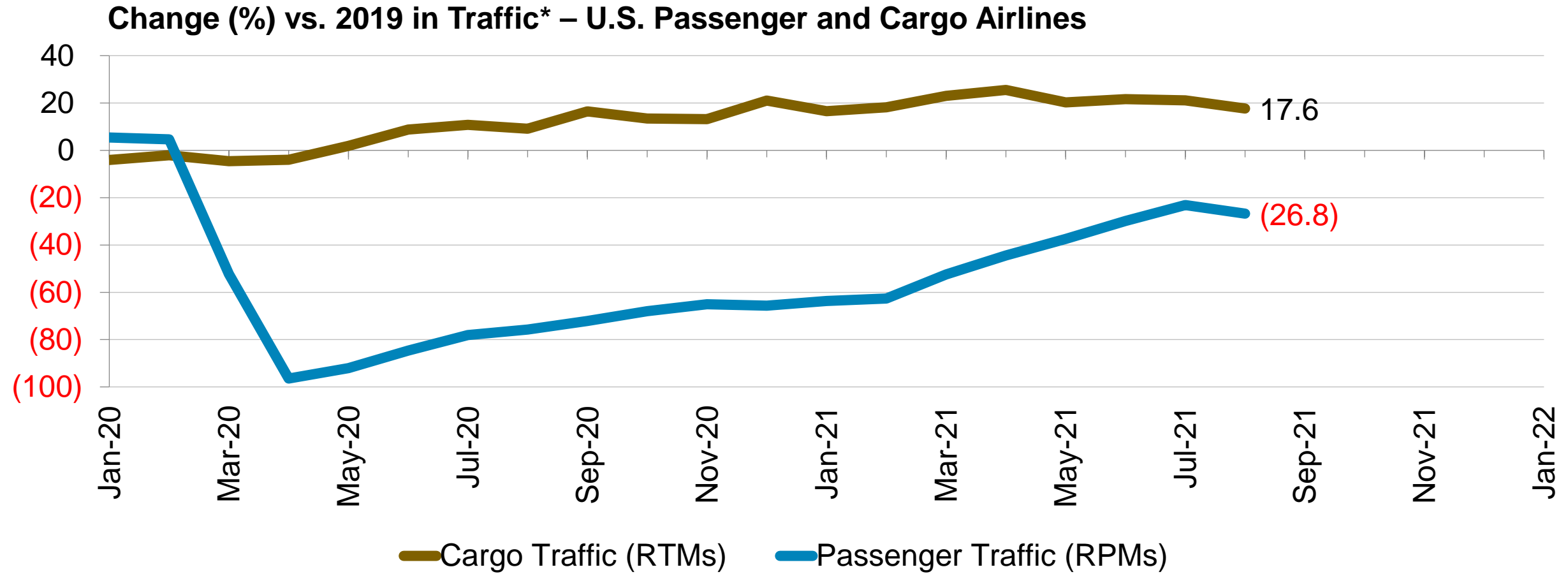


Sources: Bureau of Transportation Statistics

\* Passengers transported on Amtrak and Alaska Railroad operations

# For U.S. Airlines, Growth in Air Cargo Continues to Outpace Air Travel by a Large Margin

YTD August 2021: Cargo Traffic Up 21%, Passenger Traffic Down 41%



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

\* RTMs = freight, mail and express revenue ton miles; RPMs = revenue passenger miles

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

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

<b>Carrier Universe</b>	<b>Scheduled U.S. Passenger Airlines</b>	<b>All U.S. Passenger and Cargo Airlines</b>
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	Feb-2020: 458.2	Feb-2020: 753.4
Latest Available Data Point	Sep-2021: 410.8	Sep-2021: 718.8

Source: Bureau of Transportation Statistics based on payroll near the 15<sup>th</sup> of the month

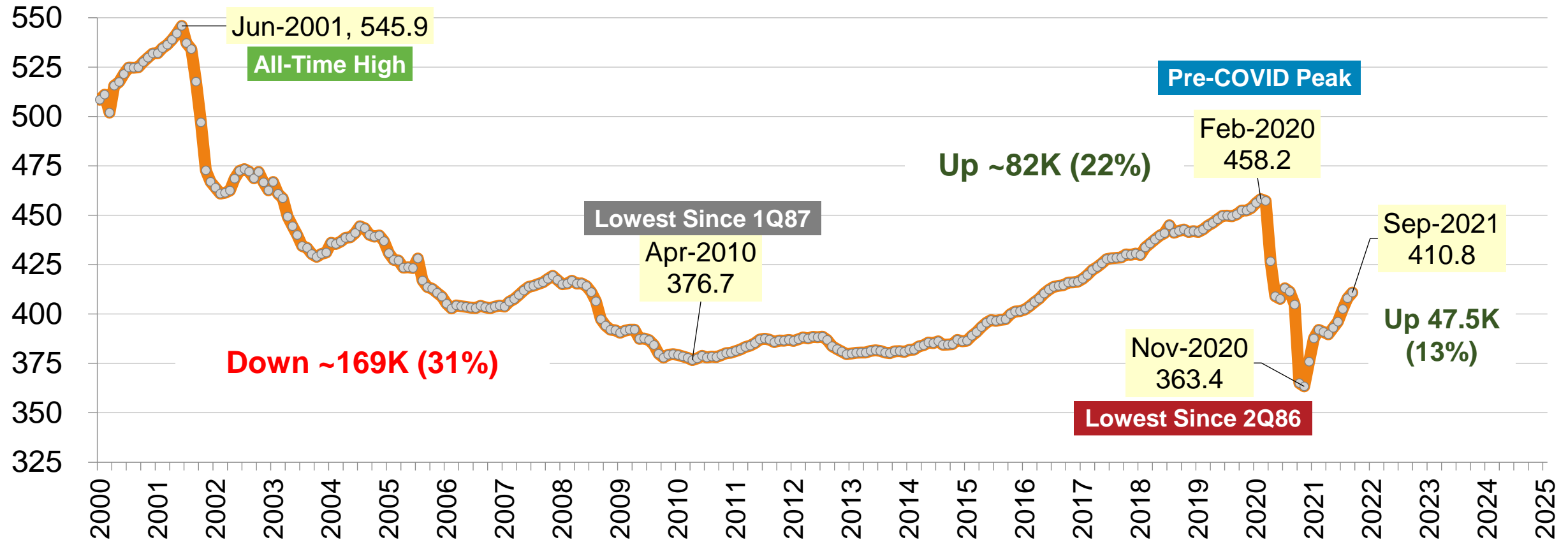
\* Full-time equivalents (FTE) = full-time workers plus 0.5 \* part-time workers



# From Nov. 2020 to Sept. 2021, U.S. Passenger Airline Employment Rose 13% (47,500 FTEs)

As of September, Airline FTEs Were Just 47,400 (10%) Below Pre-COVID Levels

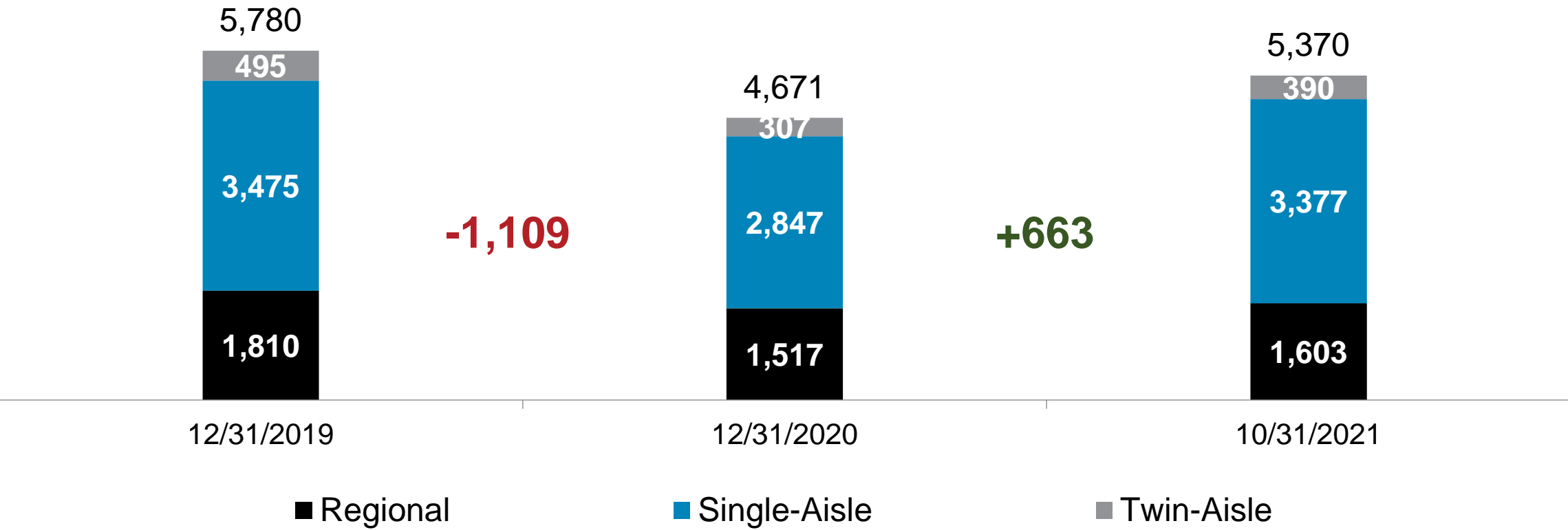
## U.S. Scheduled Passenger Airline Full-Time Equivalent Employees (000s)



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

**U.S. Passenger Airlines Have Grown the Active Fleet by 699 Units Since the End of 2020**  
 Net Reduction of 1,109 (19%) From YE19 to YE20 and 410 (7%) From YE19 to 10/31/2021

**Number of Active Aircraft\***

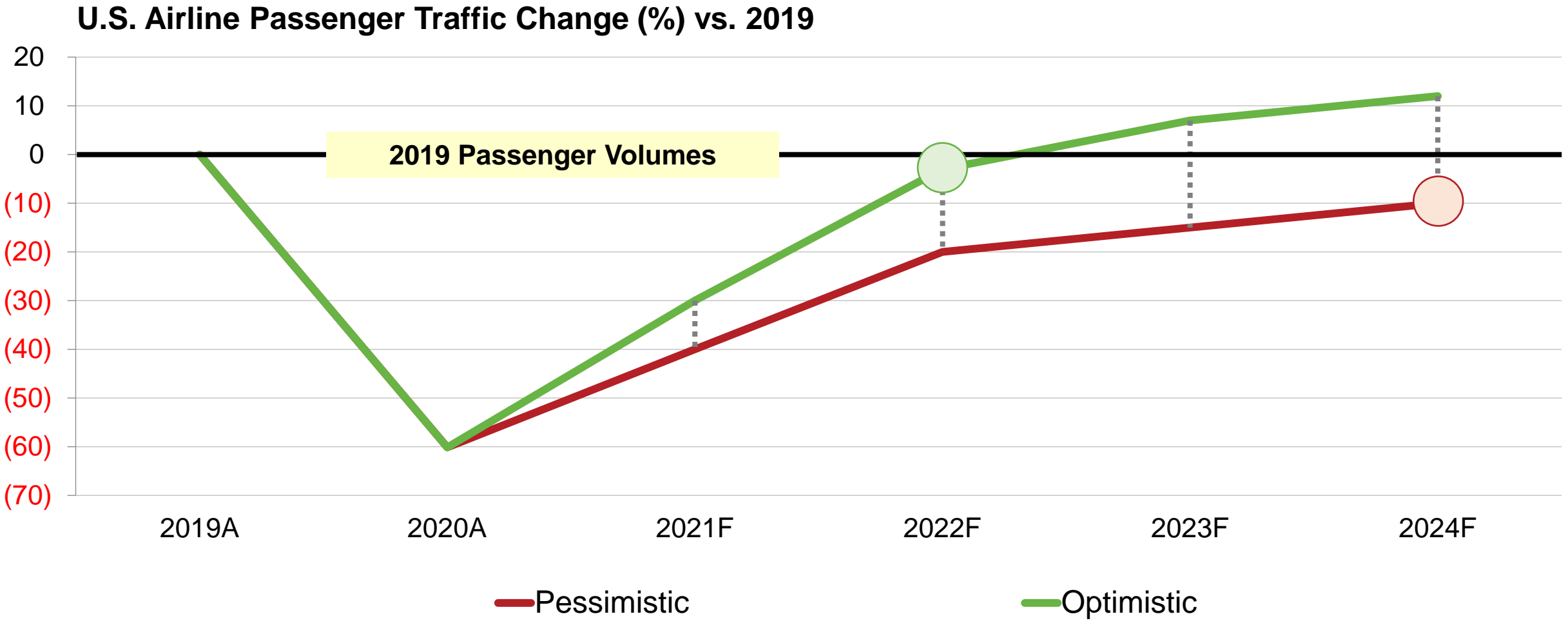


Source: Anuvu (formerly Global Eagle masFlight)

\* Operated by or on behalf of Alaska/Allegiant/American/Delta/Frontier/Hawaiian/JetBlue/Southwest/Spirit/Sun Country/United in any of the previous seven days

# The Timing of a Return to 2019 Passenger Volumes Depends in Large Part on Business Travel

Another Open Question Is the Degree to Which Leisure and VFR Traffic Remain Robust in 2022-2023

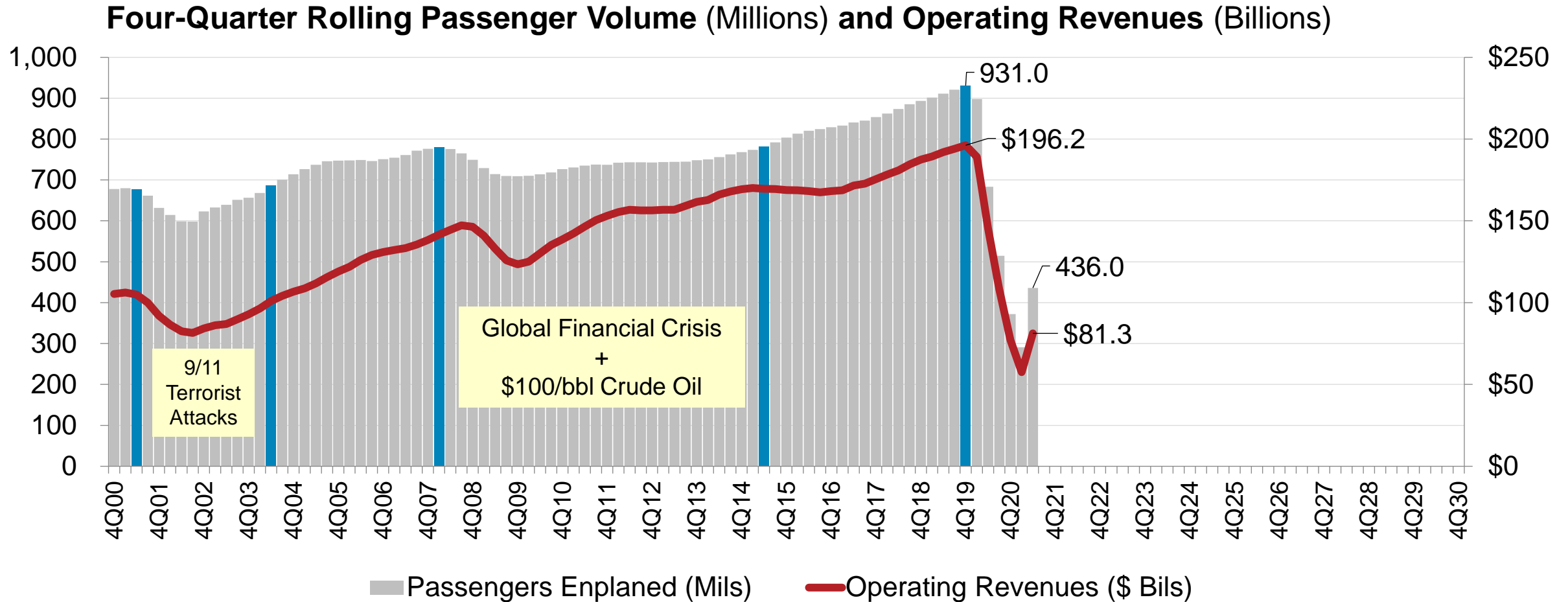


Source: A4A and various airline equity analysts

Note: A = actual; F= forecast

# 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



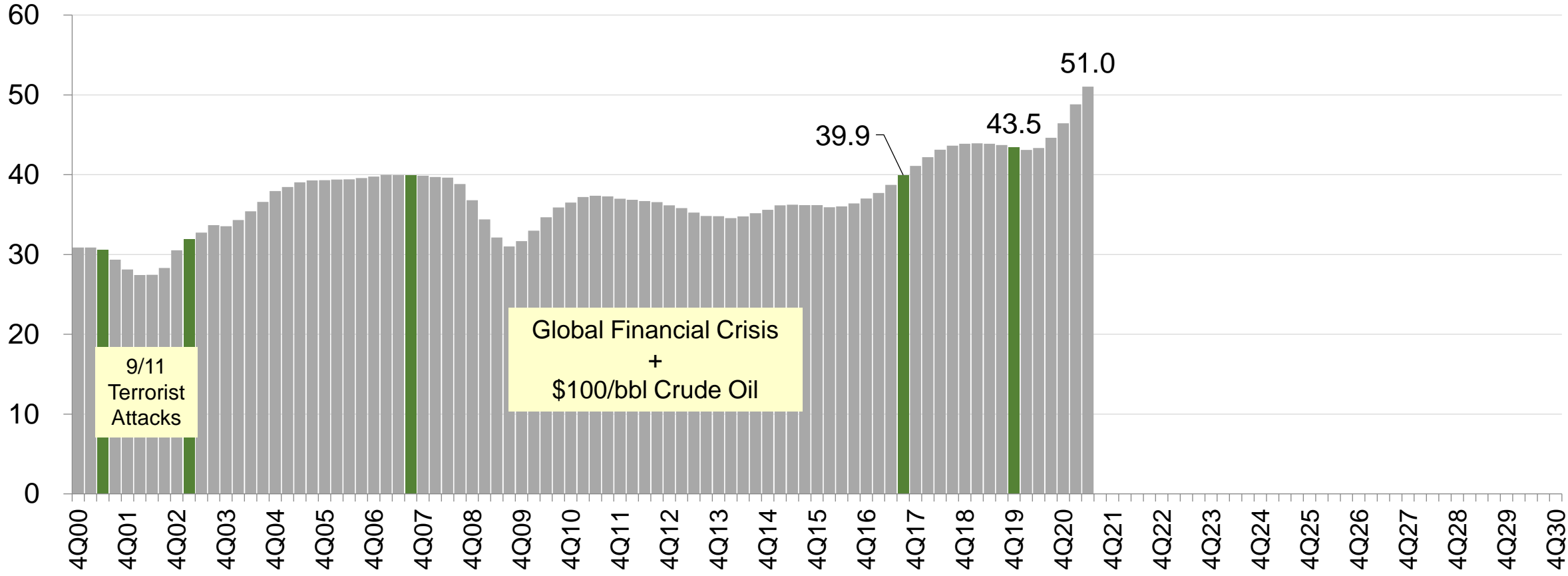
Source: A4A Passenger Airline Cost Index, BTS (Form 41 Schedule T1) and Bernstein Research

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

# Air-Cargo Demand Reached an All-Time High in 2020 and Has Continued to Grow in 2021

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

## Pandemic-Driven Technology Acceptance, Digital Competence and Enhanced Cleaning Protocols Will Endure, and Airlines and Airports Will Continue to Invest Accordingly

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“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)



**Airlines for America<sup>®</sup>**

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