



Airlines for America[®]

We Connect the World

Emerging From the Pandemic

Updated December 15, 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

- » 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

**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**



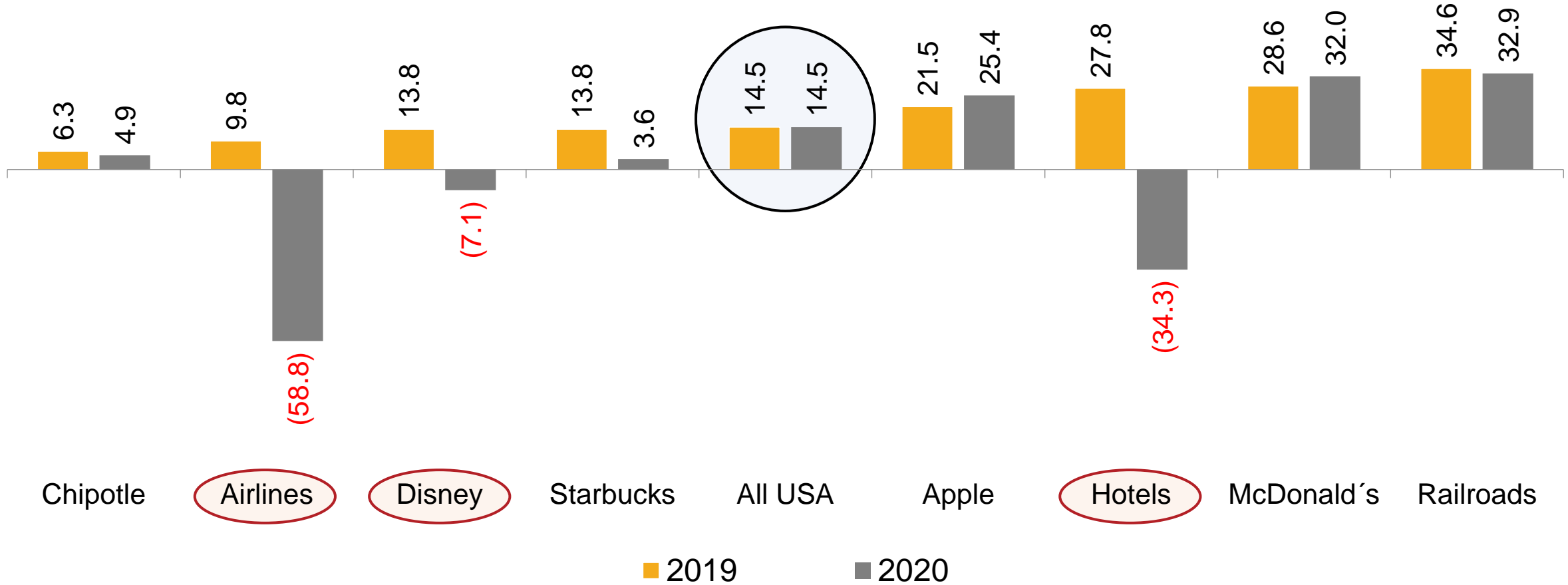
**Restore Profitability
& Rebuild Margins**



**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 \$16B in Federal Payroll Support Program (PSP) Grants

Financial Results (Jan-Sep 2021)	\$ Billions	% vs. 2019	% of Category
Passenger (RPMs down 42%, yield down 8%)	67.8	(47)	83.6
Cargo	3.6	53	4.5
Other ¹	9.7	(9)	12.0
Total operating revenues	81.1	(41)	100.0
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 ²	7.1	0	9.2
Other ³	7.2	(10)	9.2
Total operating expenses	77.9	(45)	100.0
Interest and other non-op expenses, net	4.0	2	n/a
Pre-tax income/(loss)	(0.8)	n/a	n/a

Includes ~\$16B in PSP grants.*

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.

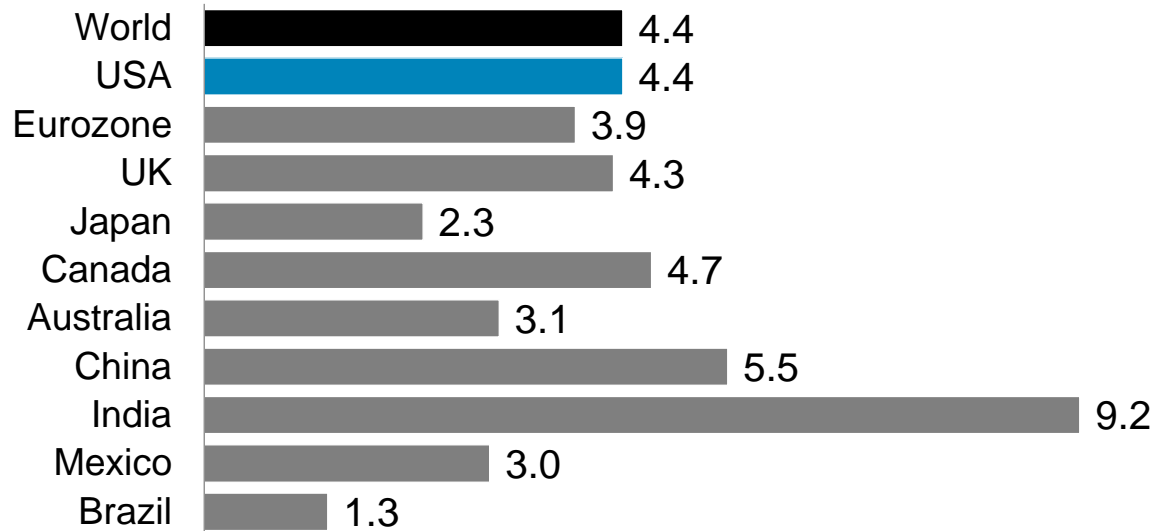
3. Aircraft rents, professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regional carriers, etc.

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

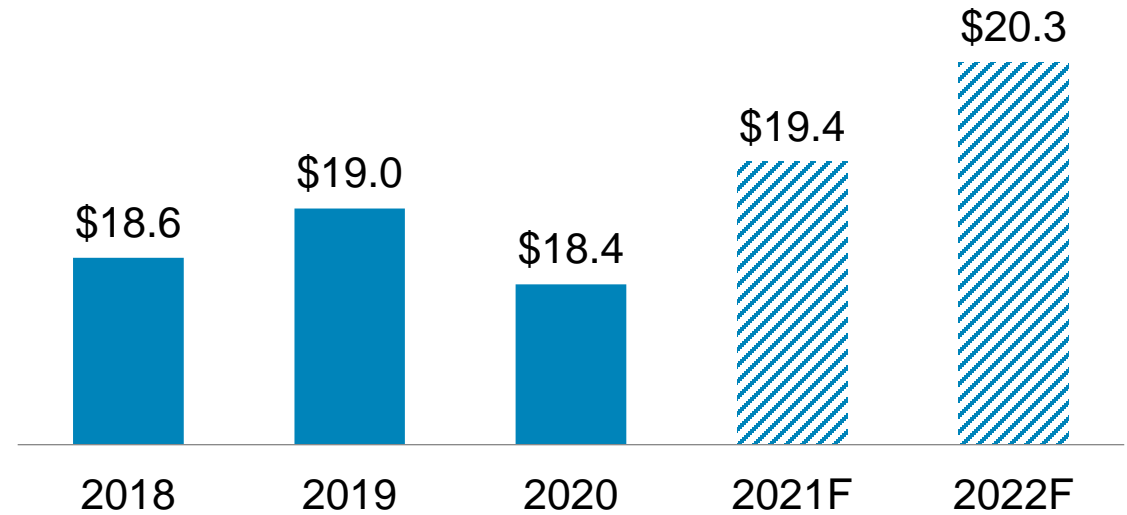
The U.S. Economy Is Projected to Grow 4.4%

“**The global economy continues to be whipsawed** by the ups and downs of the pandemic.... We project that U.S. real GDP will grow 5.7% in 2021 before downshifting to about 4.4% next year... Many foreign economies likely will post solid rates of economic growth, but with relatively high rates of inflation in 2022 as well.” (Wells Fargo, Dec. 9, 2021)

Projected 2022 Real GDP Growth (%)



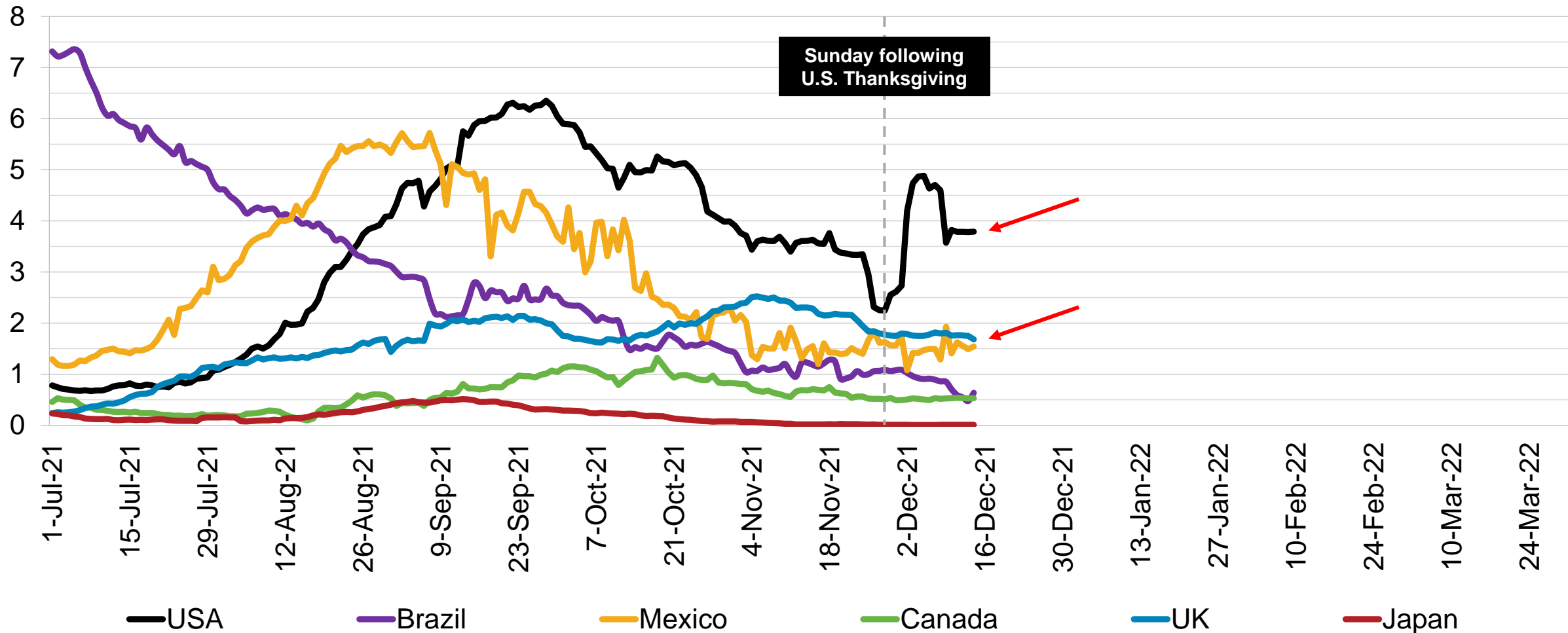
U.S. Real GDP (Trillions, \$2012)



Source: Wells Fargo Securities (Dec. 9, 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



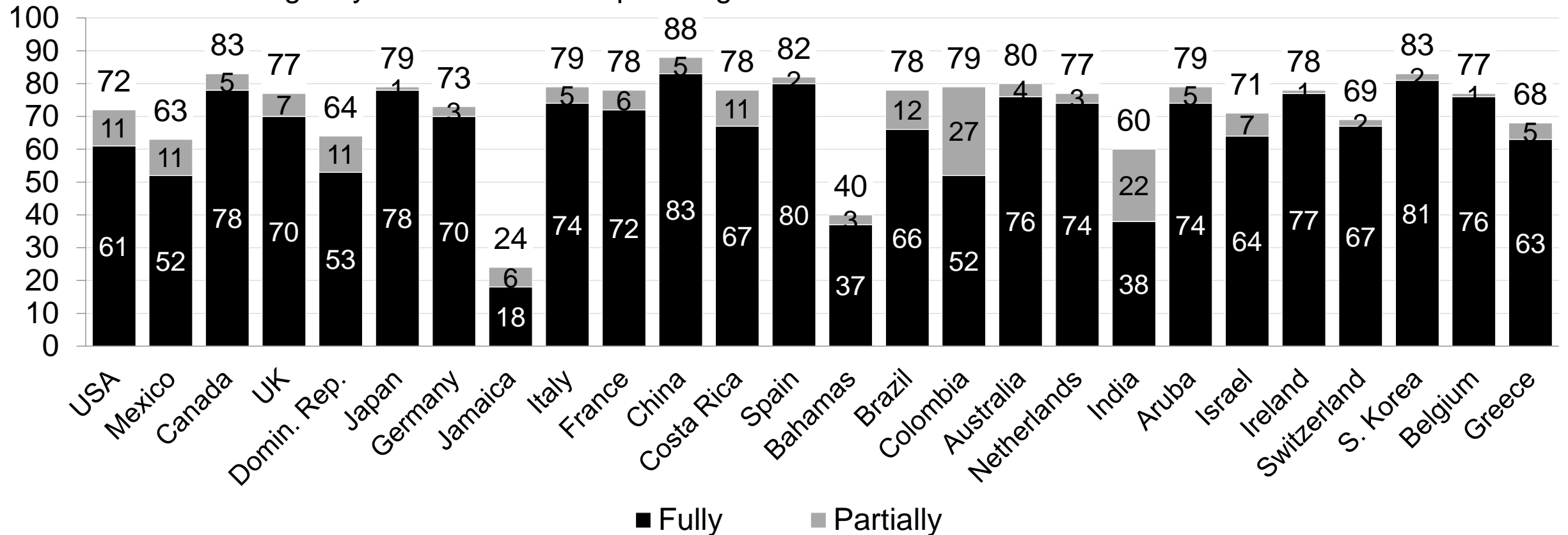
Source: Johns Hopkins University Center for Systems Science and Engineering via Our World in Data (a project at the University of Oxford)

In 14 of the Top U.S.-International Markets, at Least 70% of the Population Is *Fully* Vaccinated

In 18, 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

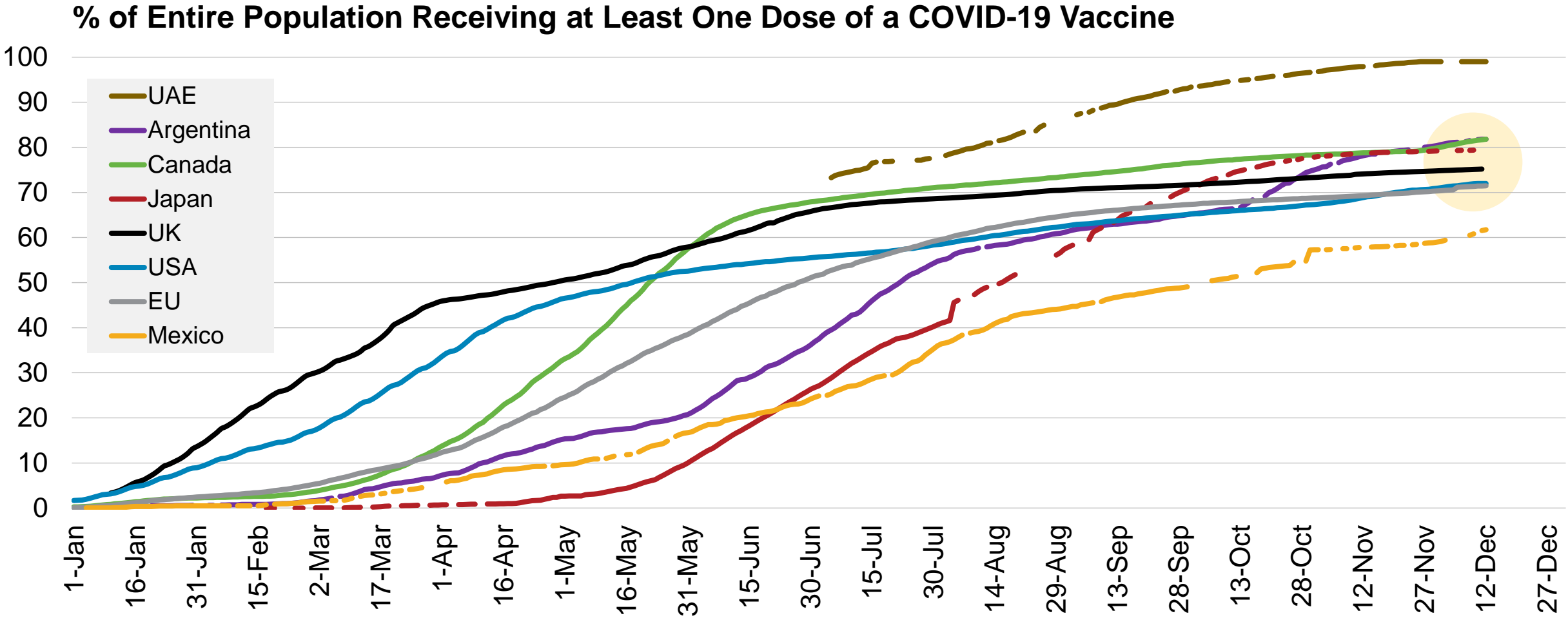


Source: Our World in Data (a project at the University of Oxford using governmental sources) via *The New York Times* and DOT Data Bank 1B

* Partially = received at least one dose of a vaccine as of Dec. 15, 2021

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

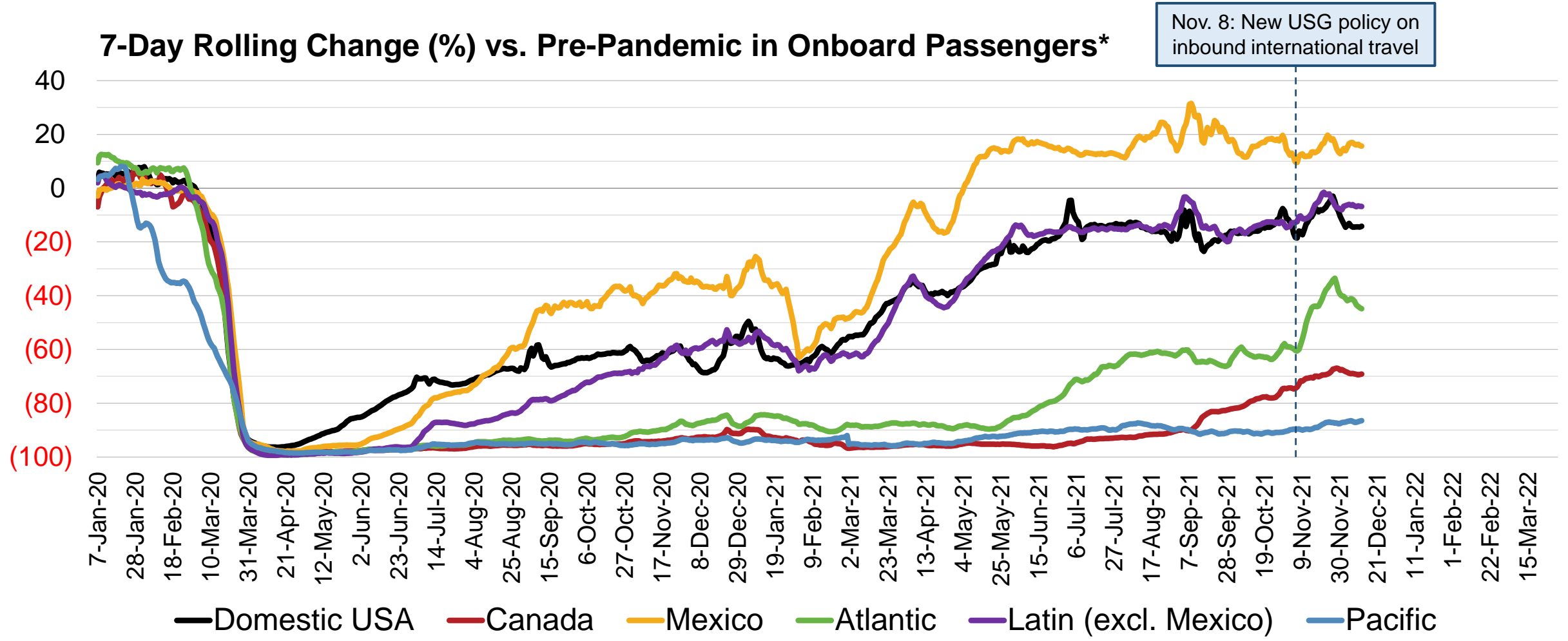
UAE/Argentina/Canada/Japan/UK Are Among Those Exceeding the USA



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 16% Below Pre-Pandemic Levels

Domestic Air Travel Down 14%, International Air Travel Down 28%

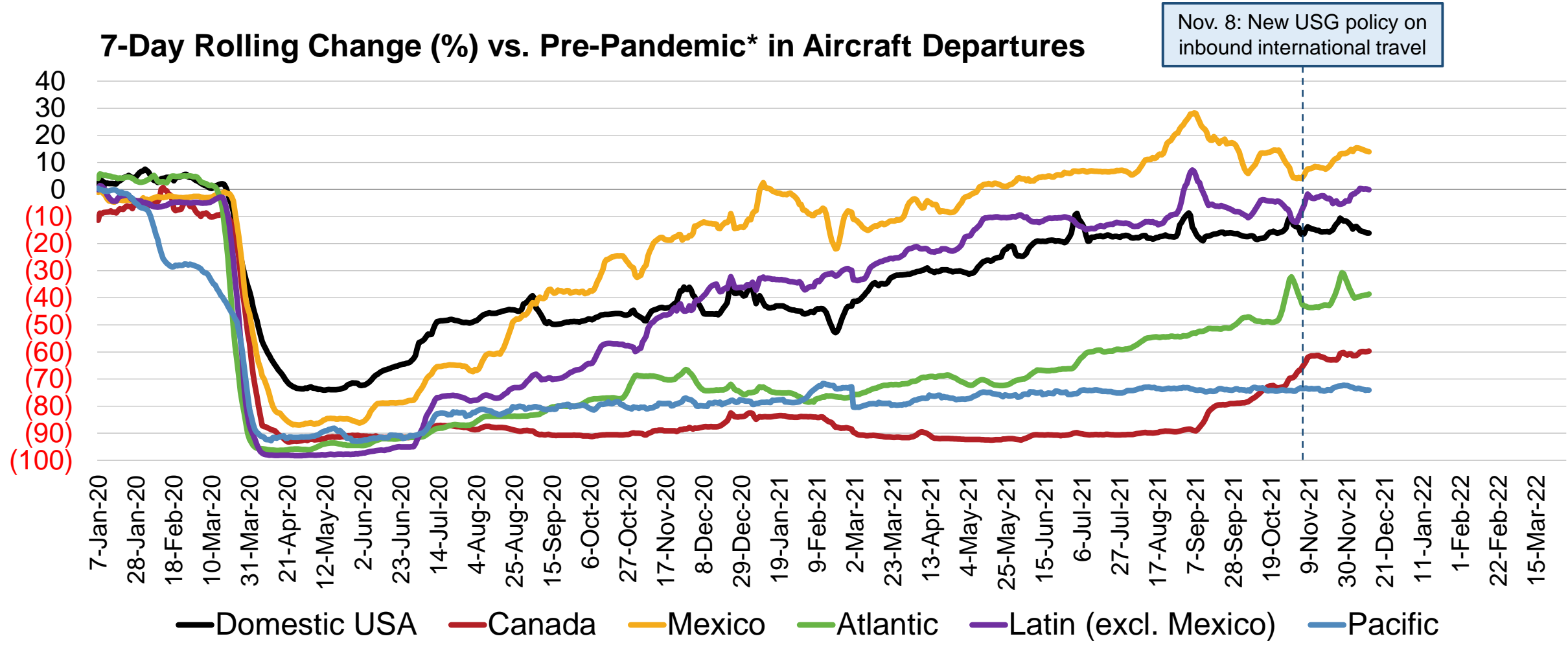


Source: A4A member passenger airlines and branded code share partners

* 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 16%, International Flights Operated Down 20%

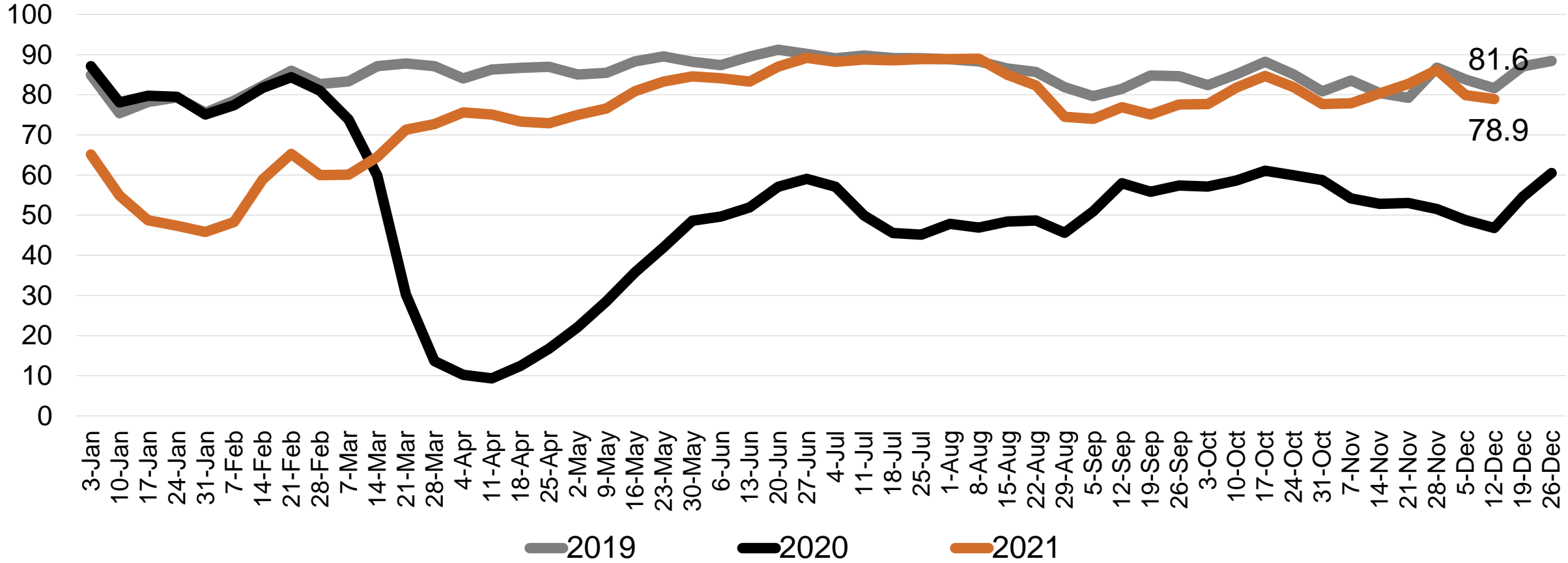


Source: A4A member passenger airlines and branded code share partners

* "Pre-pandemic" precedes March 1, 2020

In Week Ending Dec. 12, Domestic U.S. Load Factor Trailed Pre-Pandemic Levels

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

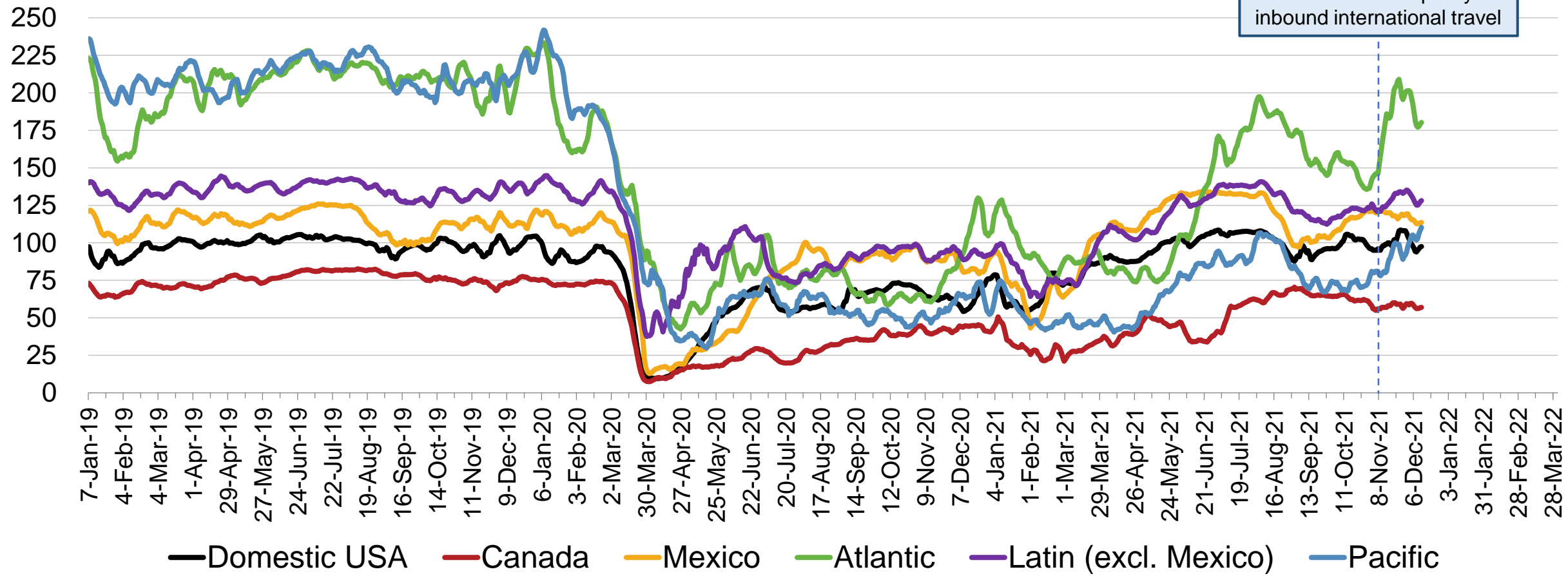


Source: A4A member passenger airlines and branded code share partners

* Revenue passenger miles divided by available seat miles

Post Re-Opening, Transatlantic Onboard Volumes Notably Improved

7-Day Moving Average Onboard Passengers* per Flight

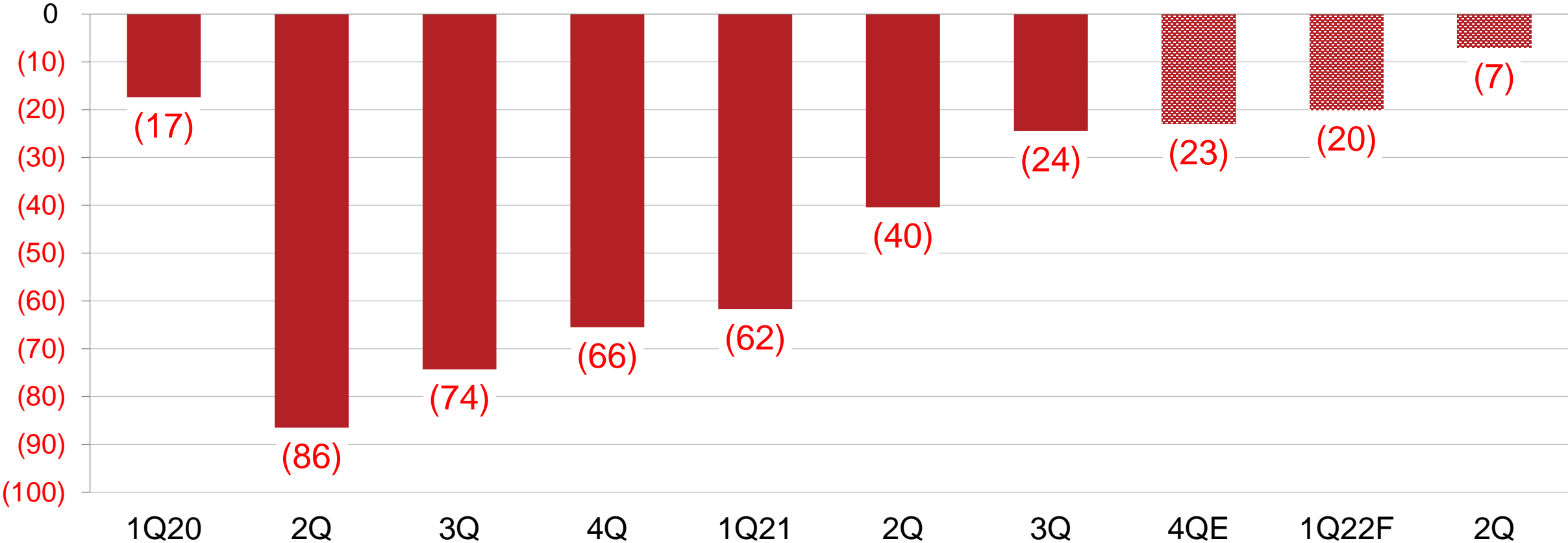


Source: A4A member passenger airlines and branded code share partners

* Onboard ("segment") passengers

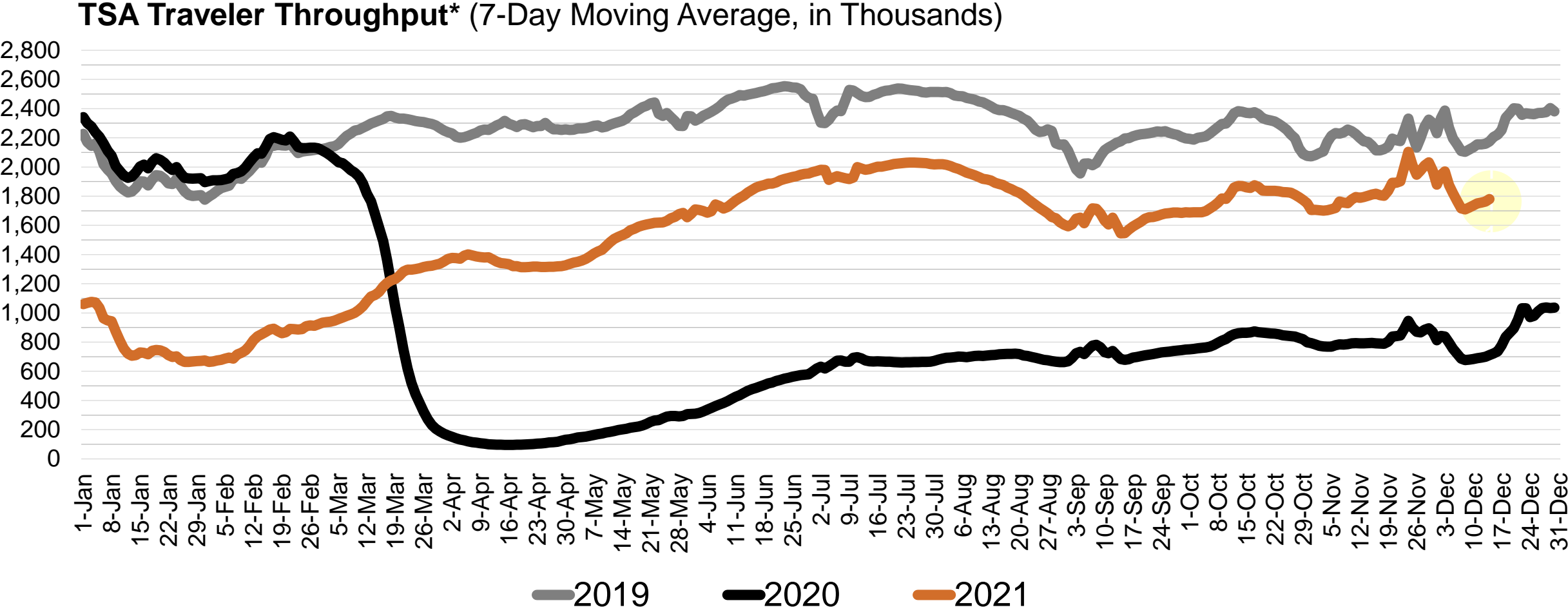
The Pandemic Led to Deep and Prolonged Declines in Total Operating Revenues vs. 2019

U.S. Airline Operating Revenues: Change (%) vs. 2019



Sources: SEC filings of Alaska/Allegiant/American/Delta/Hawaiian/JetBlue/Southwest/Spirit/United and forecasts from various equity analysts

In Most Recent Seven Days, TSA Checkpoint Volumes Fell 18% Below 2019 Levels

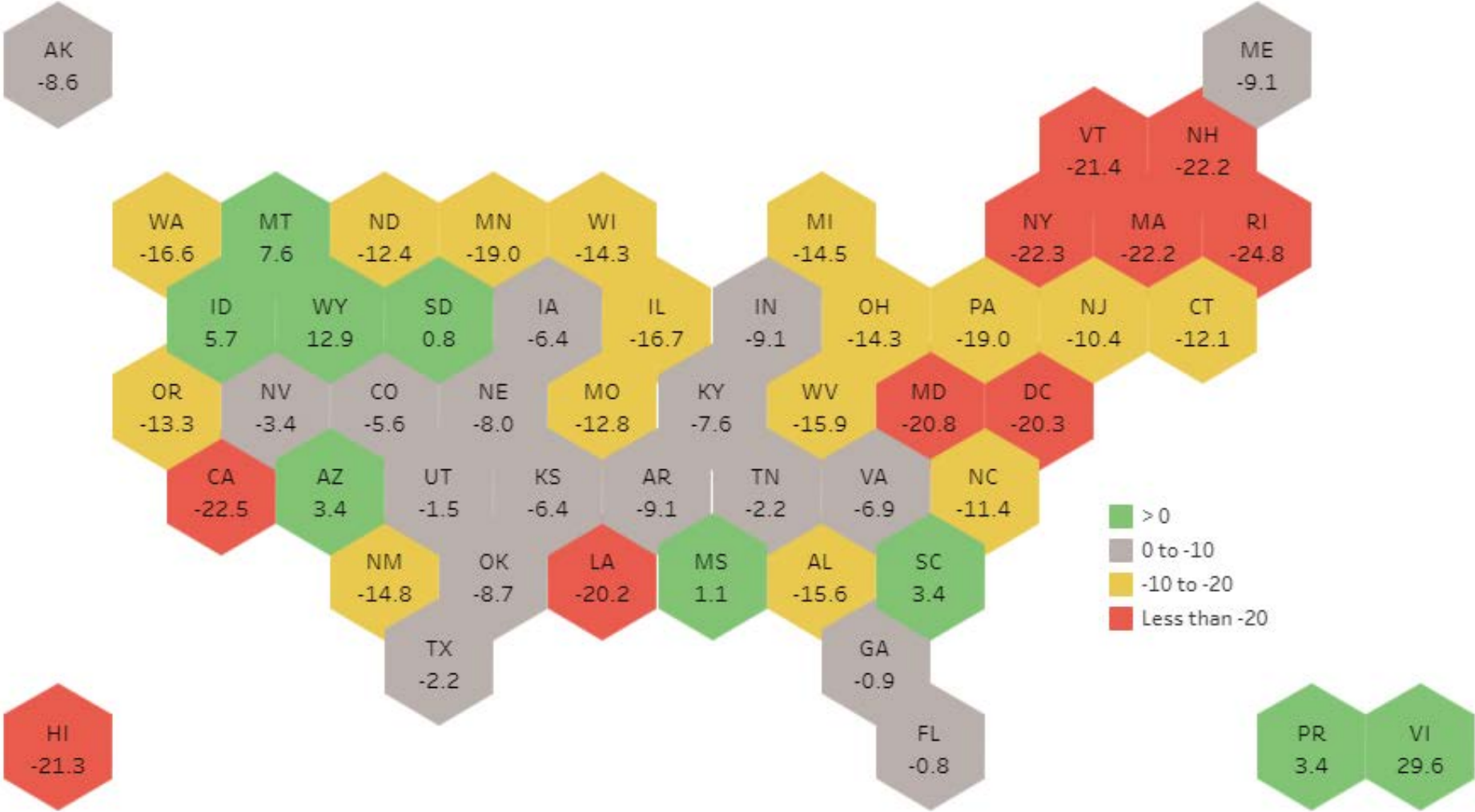


Source: Transportation Security Administration

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

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

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

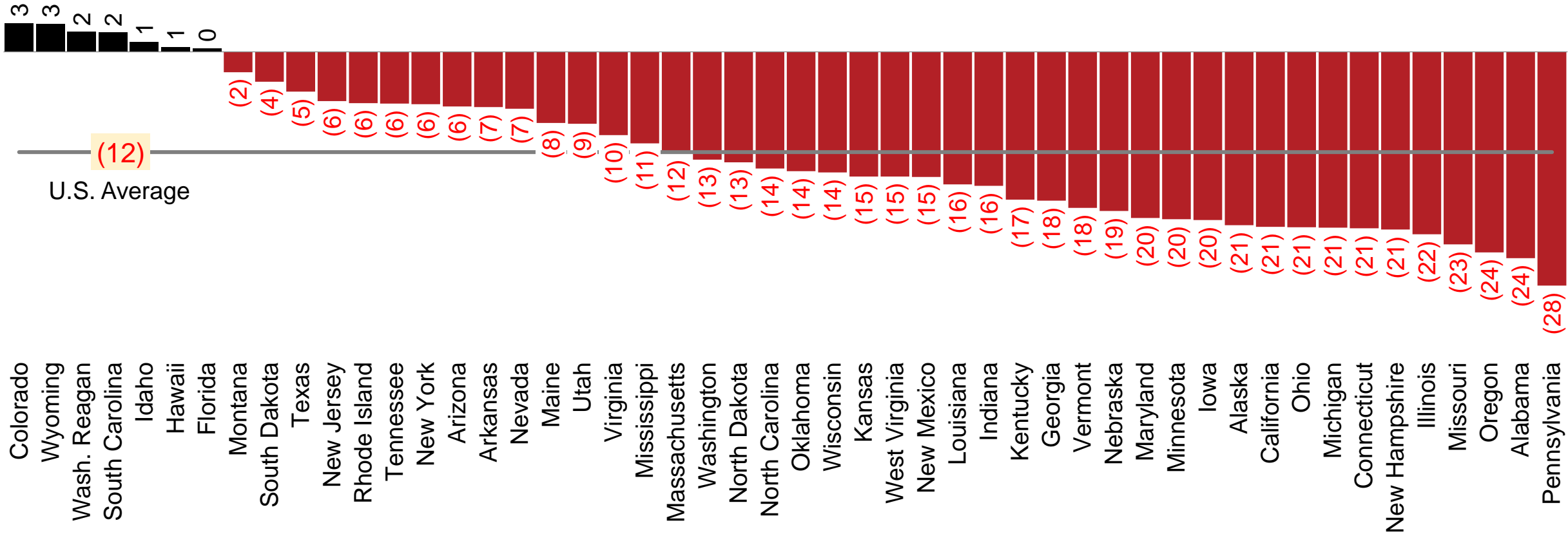


Source: Transportation Security Administration

U.S. Airports Are Showing a 12% Decline in January 2022 Flights vs. Pre-Pandemic Levels

Pennsylvania Seeing Largest Cuts

Change (%) in U.S. Outbound Scheduled Passenger Flights: Jan-2022 vs. Jan-2019

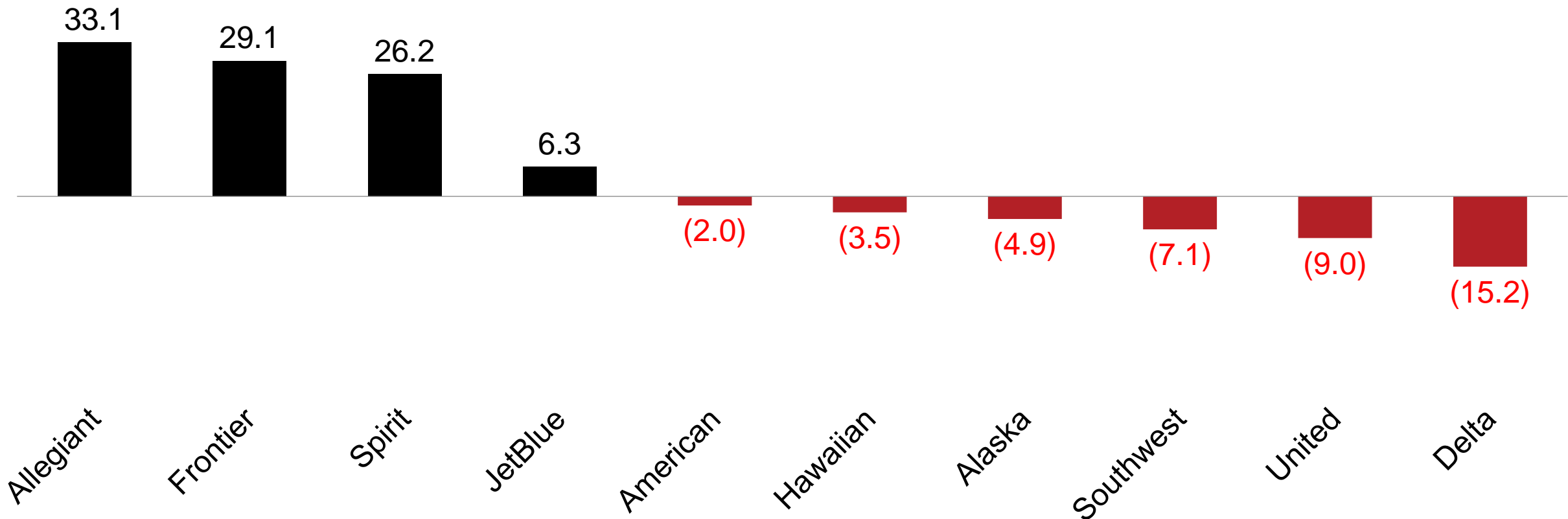


Source: Diio by Cirium published schedules (Dec. 10, 2021) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

Four U.S. Airlines Are Deploying More Capacity in 1Q 2022 Than in 1Q 2019

Allegiant/Frontier/Spirit Growing the Fastest; Delta/United Down the Most

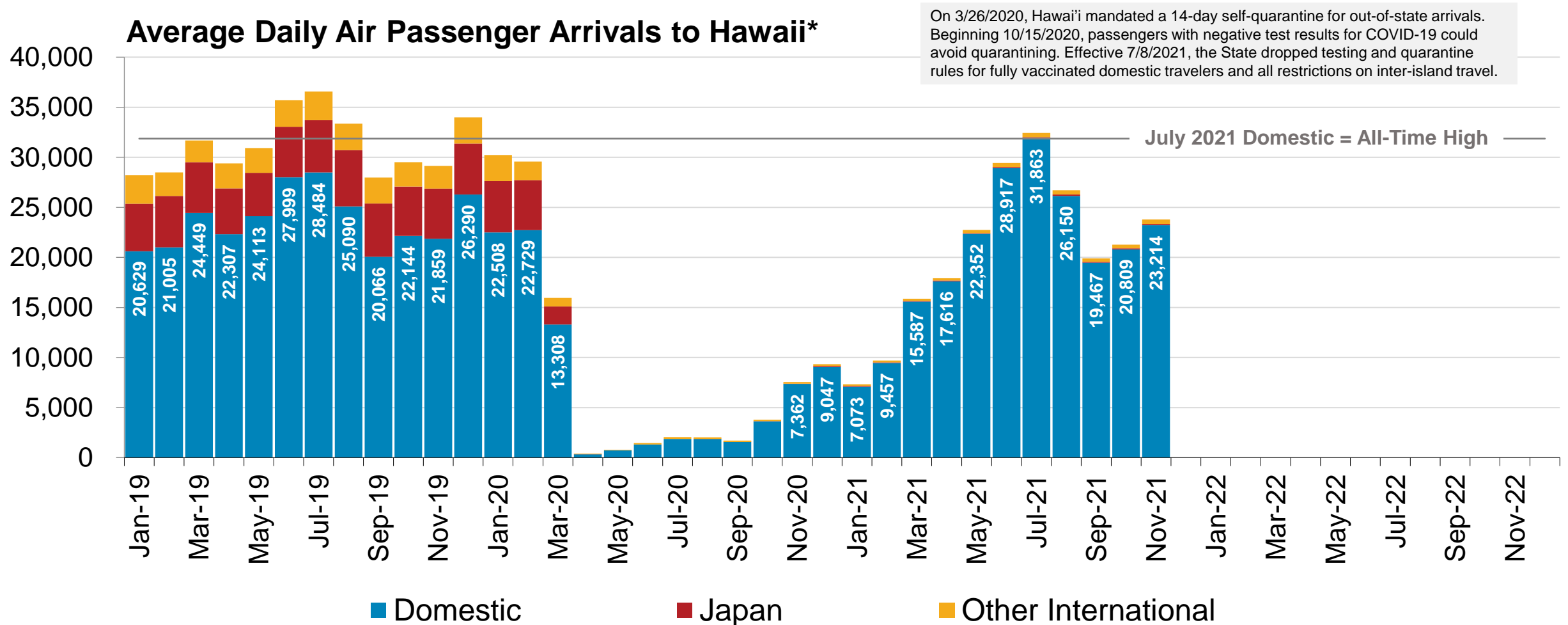
Change (%) in Systemwide Scheduled Available Seat Miles: 1Q 2022 vs. 1Q 2019



Source: Diio by Cirium published schedules (Dec. 10, 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

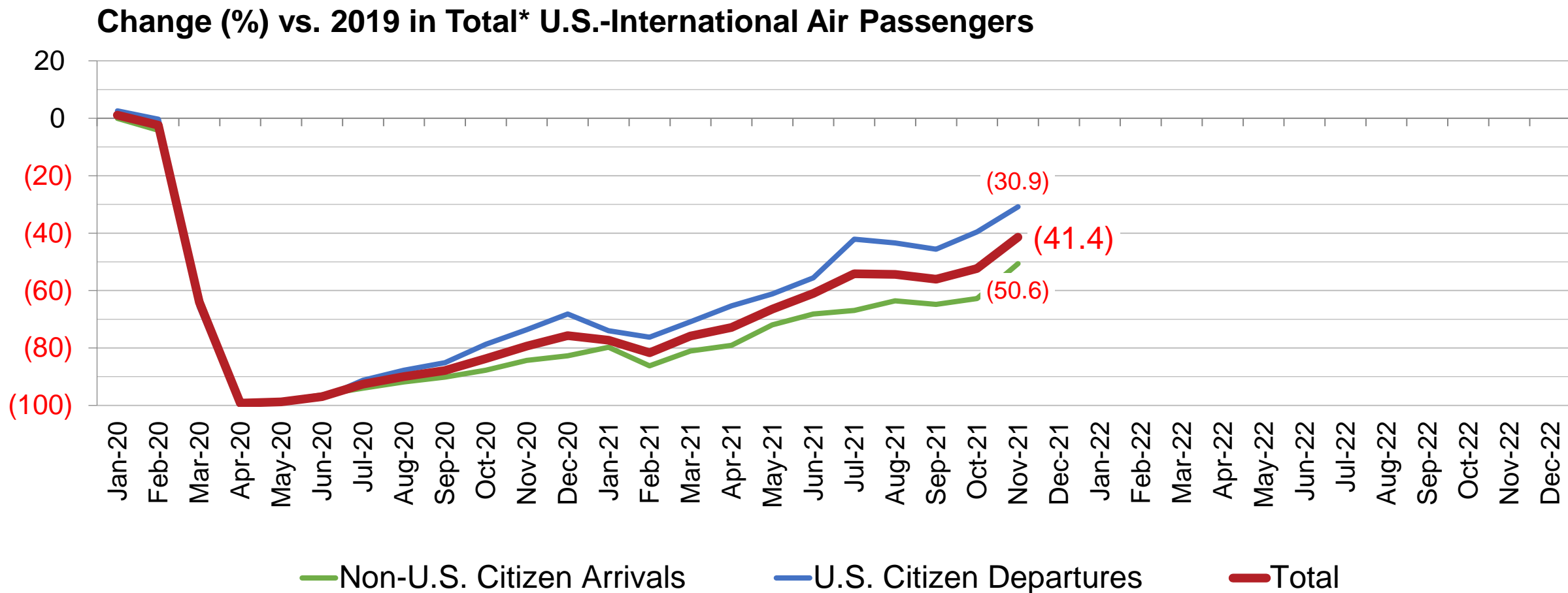


Source: Hawaii Department of Business, Economic Development & Tourism

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

In November 2021, U.S.-International Air Travel* Fell 41% Below 2019 Levels

Non-U.S. Citizen Arrivals Trailed U.S. Citizen Departures by ~20 Percentage Points



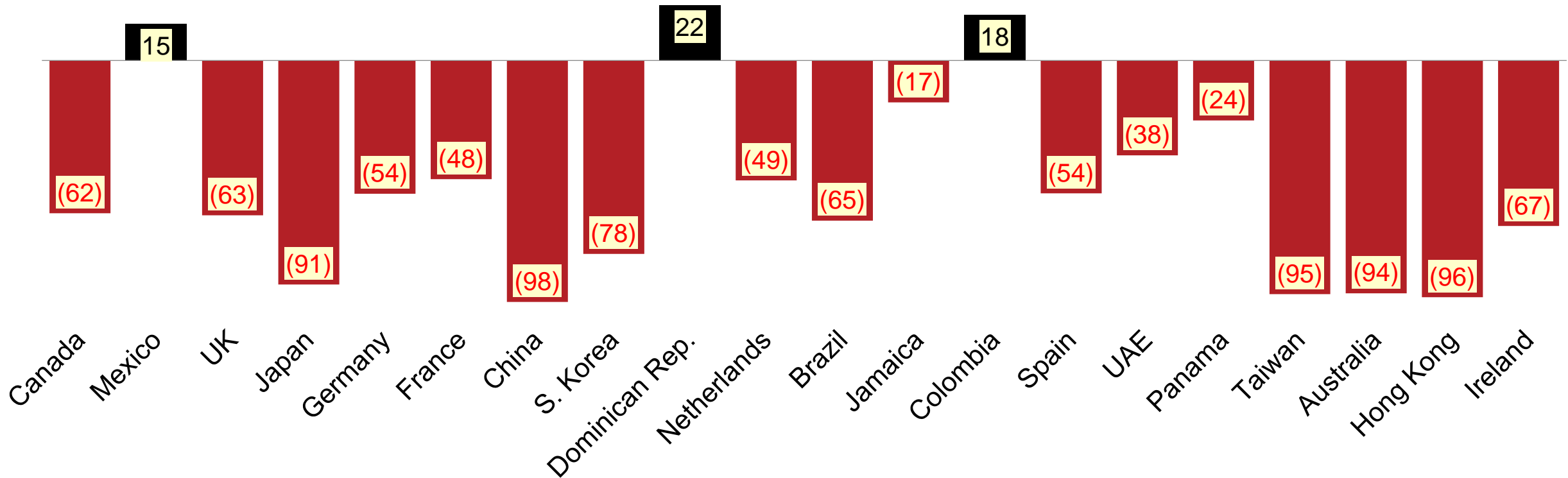
Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data

* 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 Nov-2019, Five *Fell More Than 90%* in Nov-2021

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

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



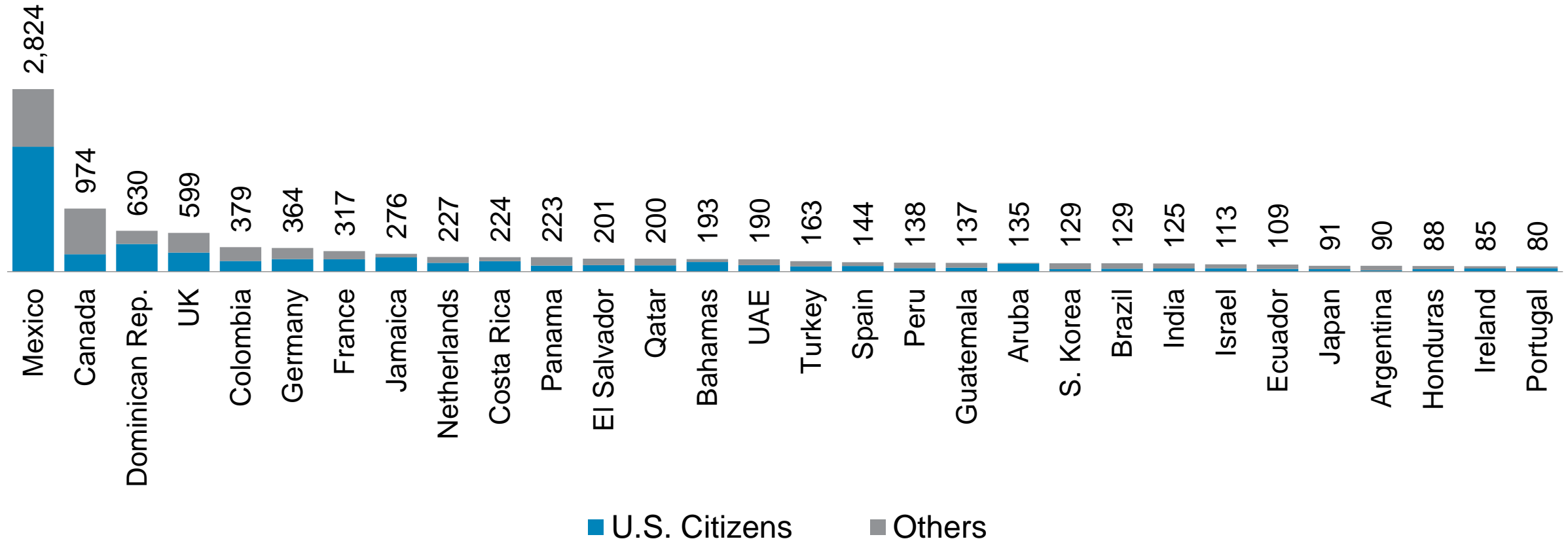
Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

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

In November, 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)

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

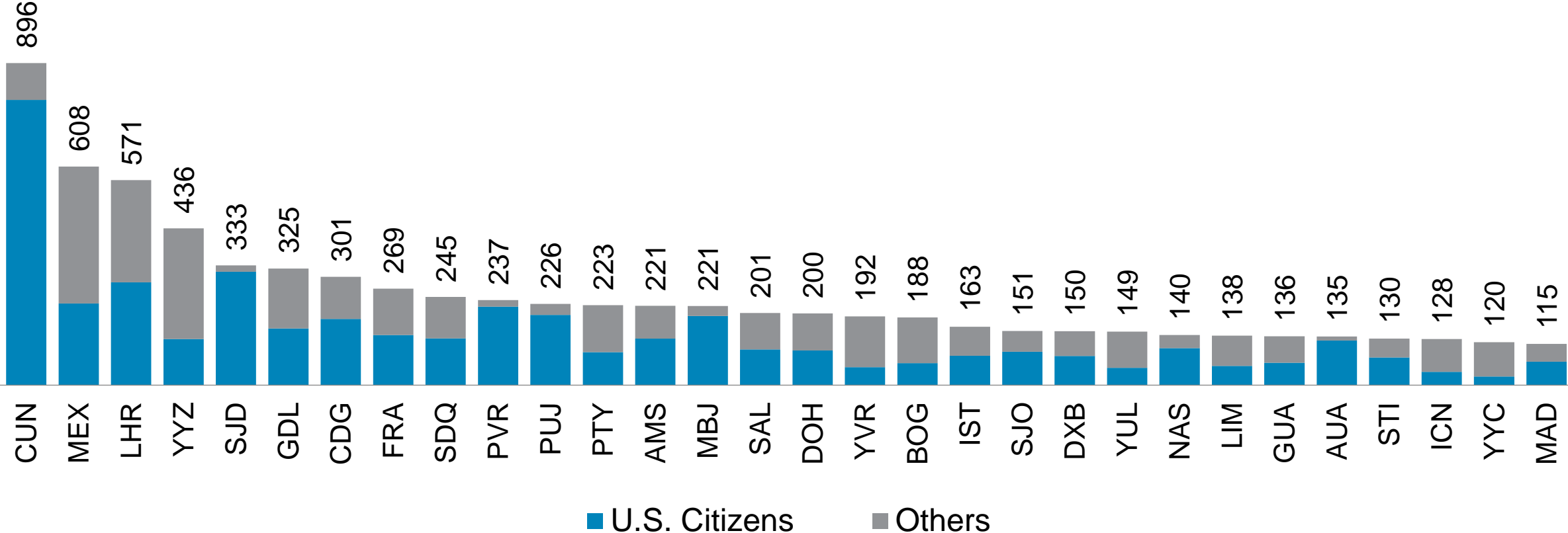


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

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

In November, Cancun and Mexico City Were the Busiest Foreign Gateways to/from USA

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

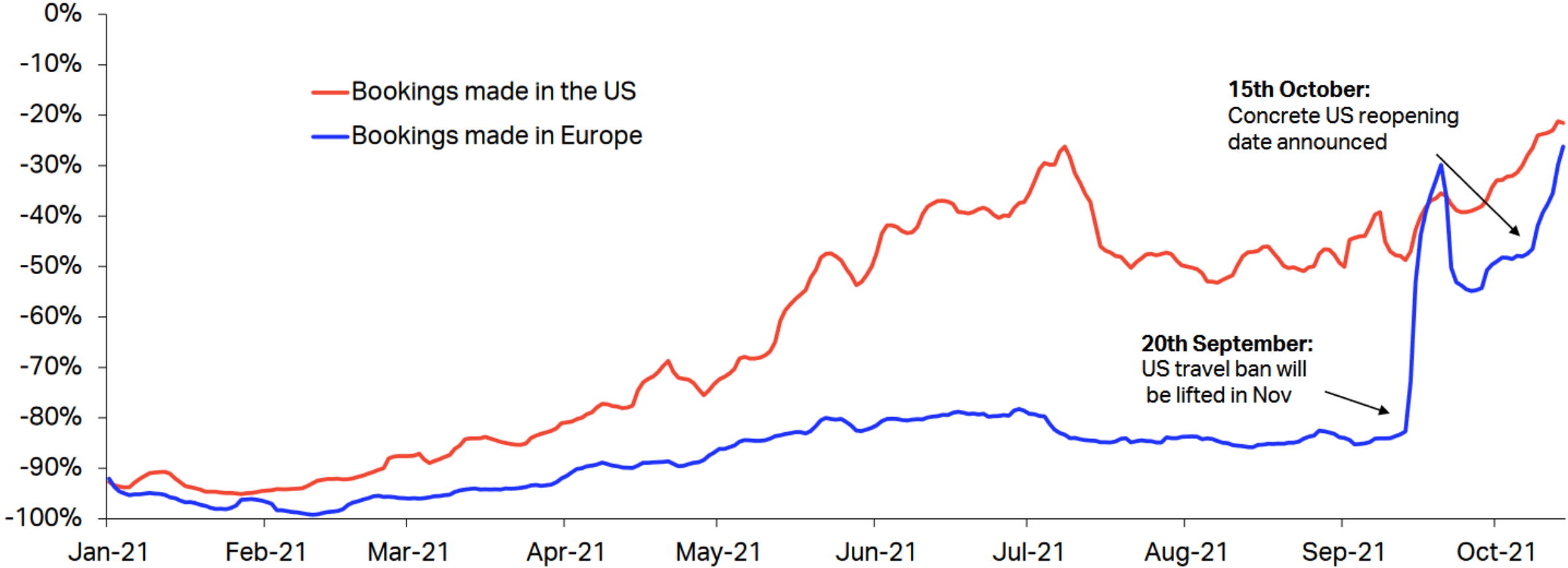


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

* 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

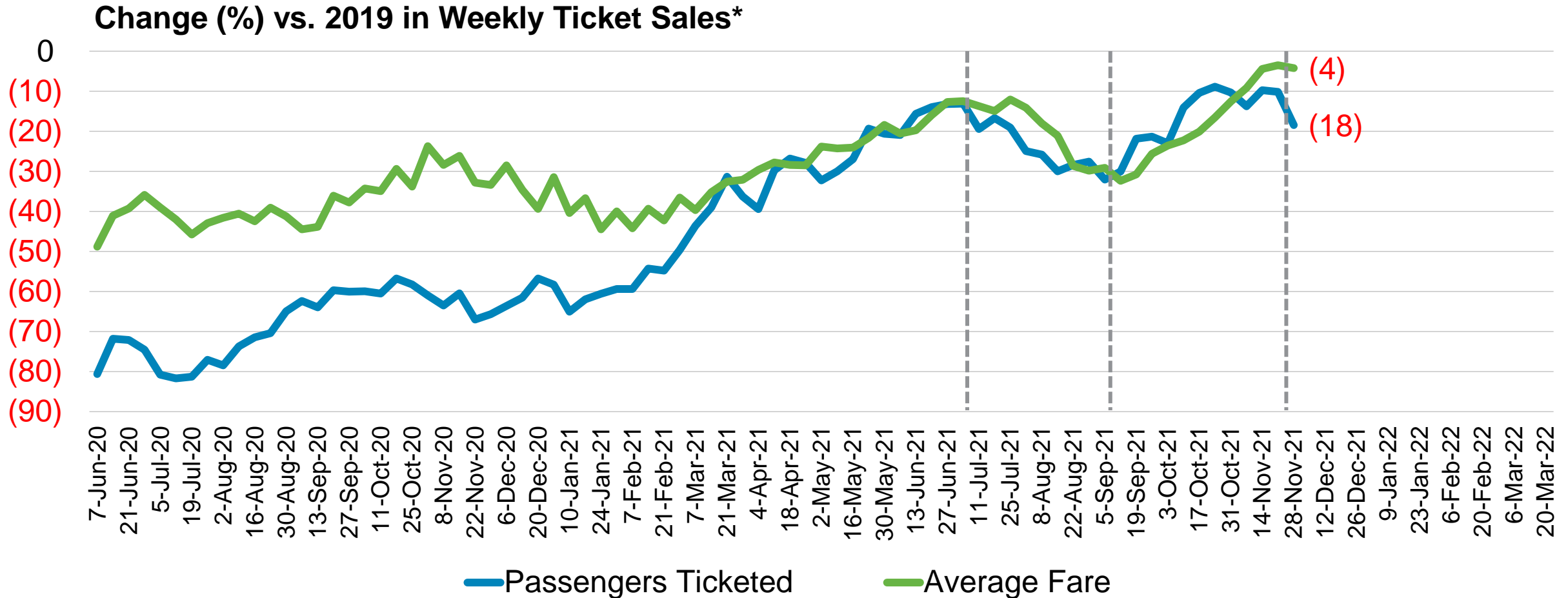
Bookings US-Europe, 7-day MA in % change vs 2019



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

In Most Recent Week, Airlines Ticketed 18% Fewer Passengers Than They Did Two Years Prior

Fares Were Down 4% Due Primarily to Scarcity of Corporate and Long-Haul International Travel

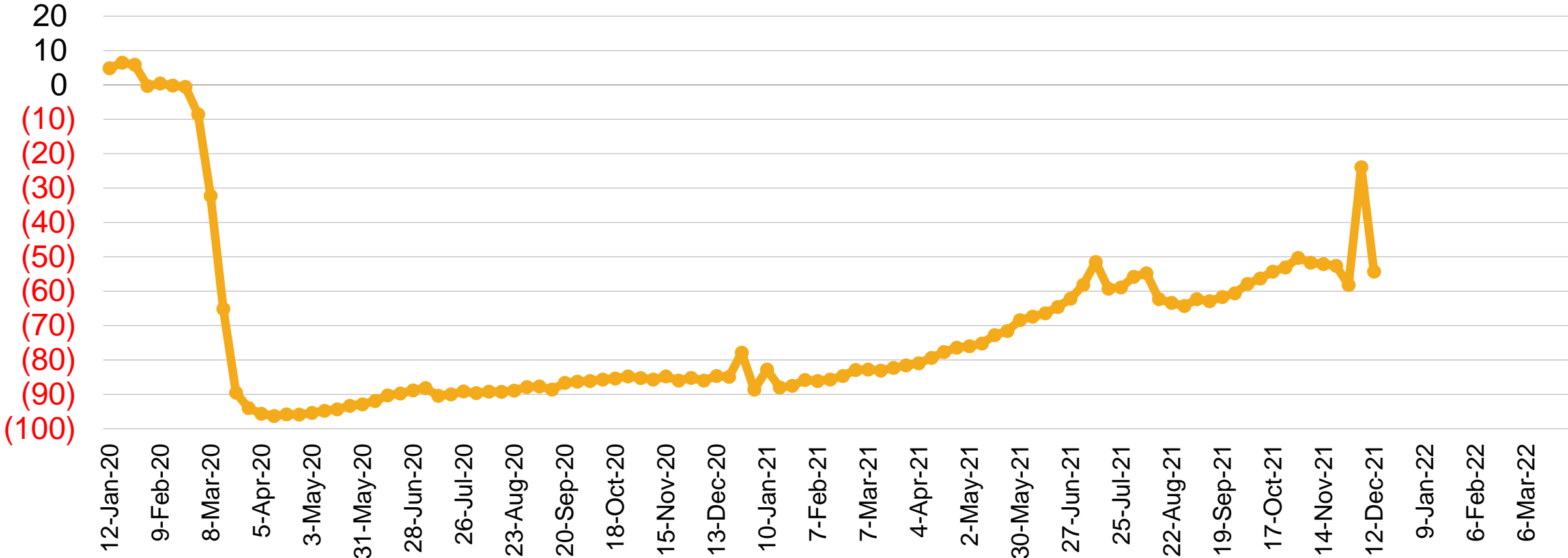


Source: A4A analysis of data from Airlines Reporting Corporation (ARC)

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

Corporate Sales Remain Well Below 2019 Levels

Change (%) vs. 2019 in Corporate-Segment Weekly Tickets Sold* by U.S. Travel Agencies



Source: Airlines Reporting Corporation (ARC)

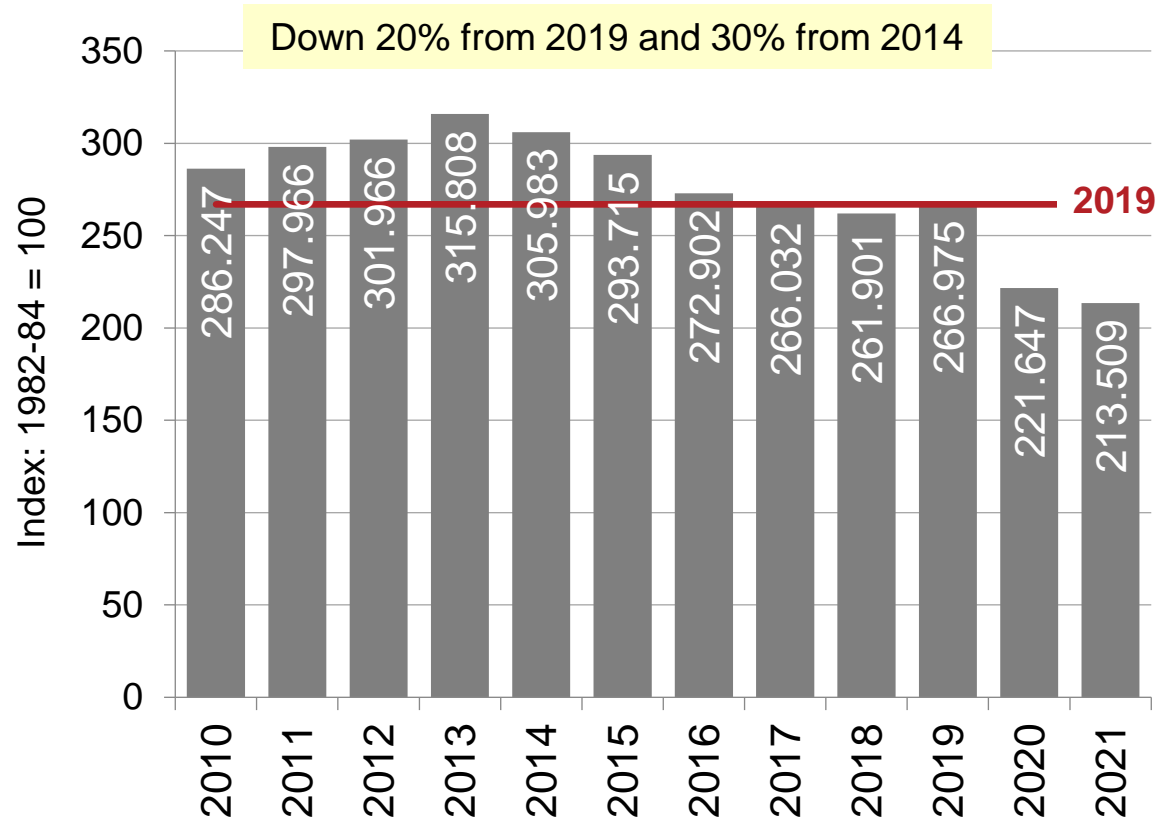
* Results do not include sales of tickets purchased directly from airlines and are not net of refunds or exchanges.

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

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

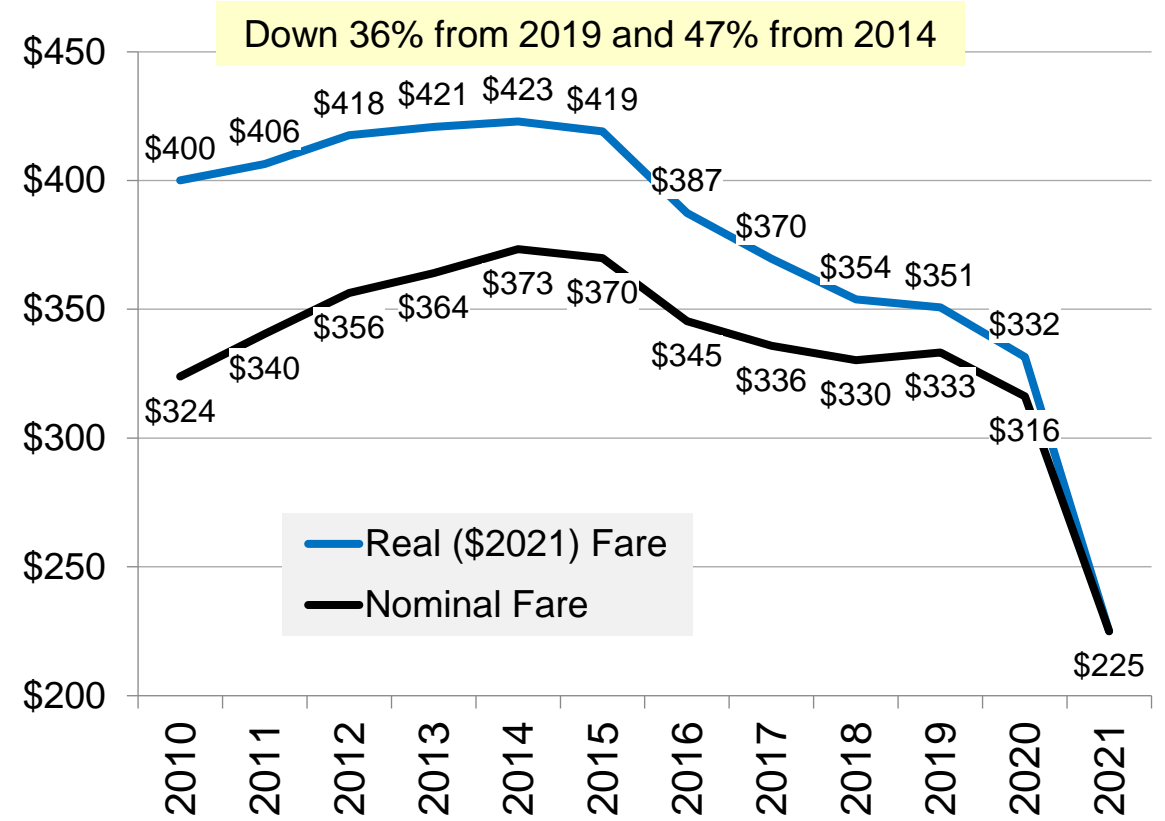
U.S. CPI for Airline Fares (Index: 1982-84 = 100)

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



Average 2Q Domestic Round-Trip Airfare

Second quarter of each year

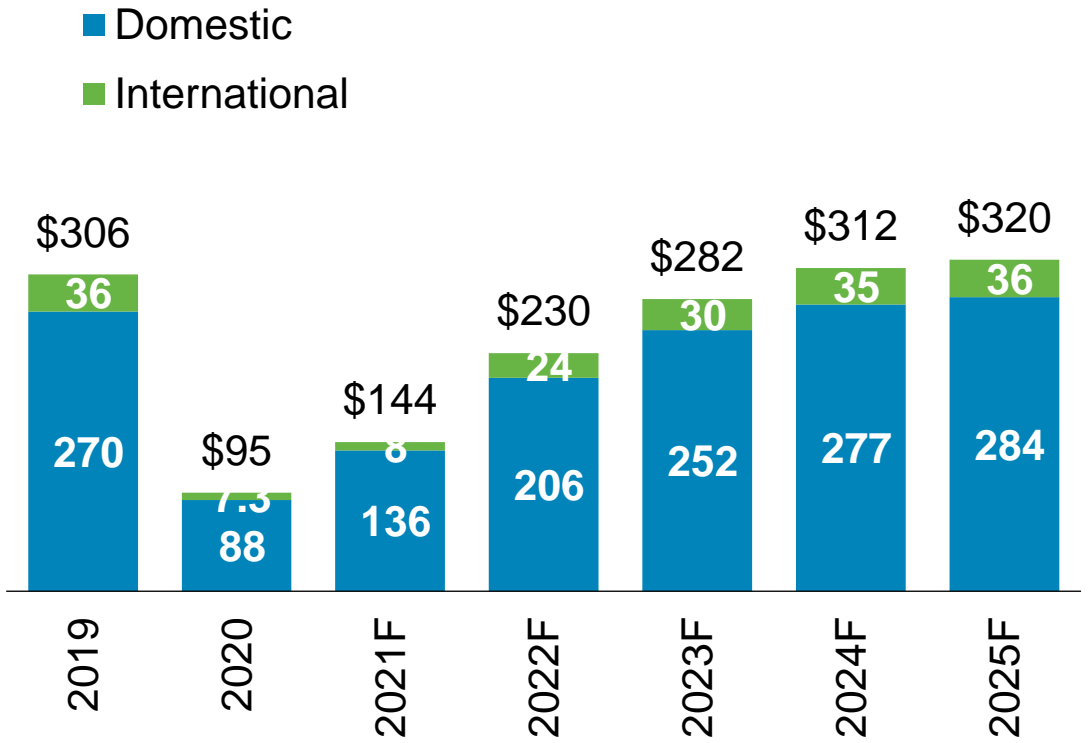


Source: Bureau of Labor Statistics (CPI series CUSR0000SETG01) and DOT Data Bank 1B (all carriers/cabins/fare basis codes)

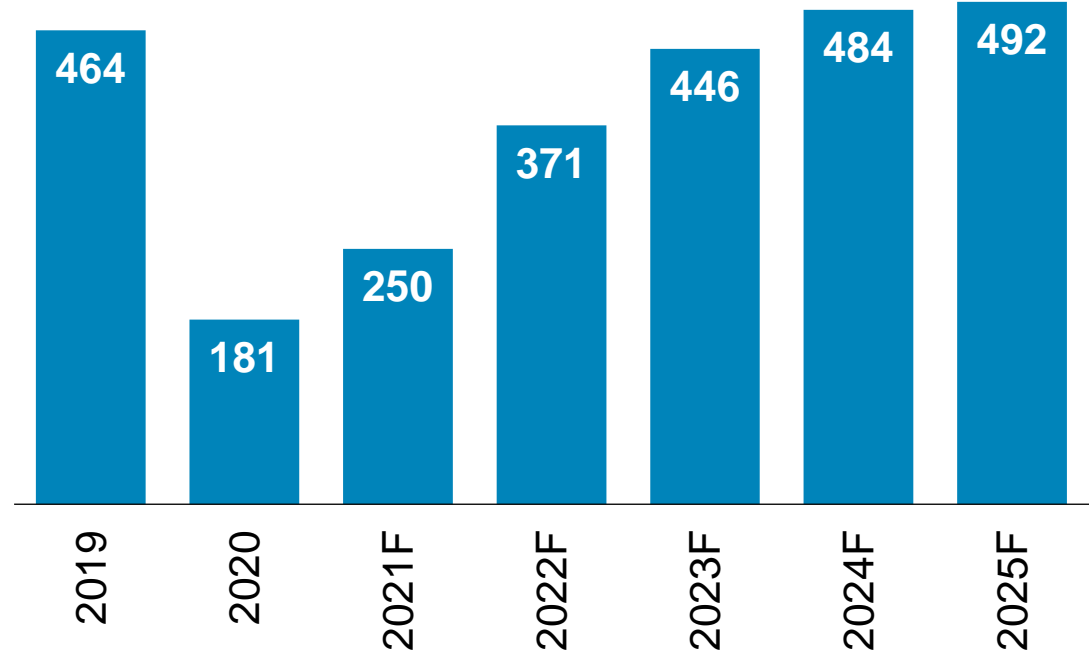
The U.S. Travel Association Projects U.S. Business Travel to Return to 2019 Levels in 2024

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)

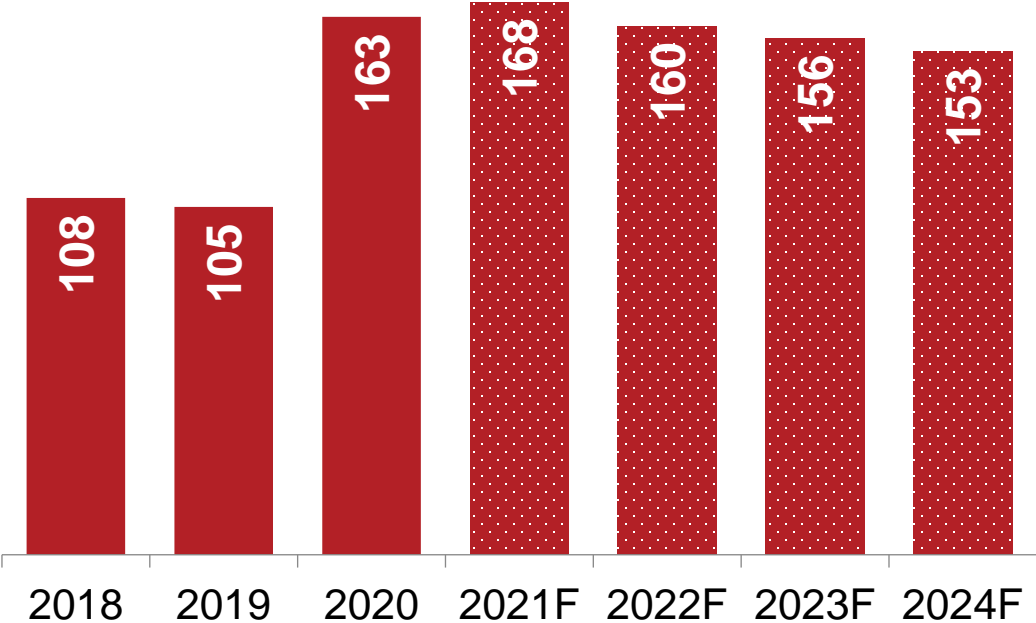
* Includes air and non-air travel

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

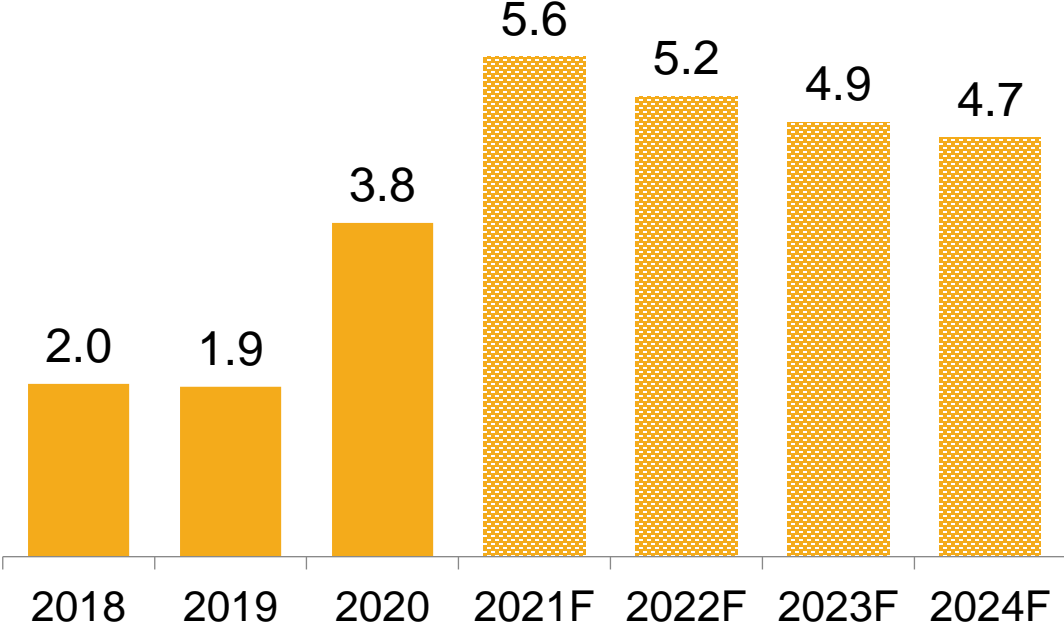
Net Interest Expense Doubled From 2019 to 2020 and Will Exceed \$20 Billion in 2021-2024

“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)



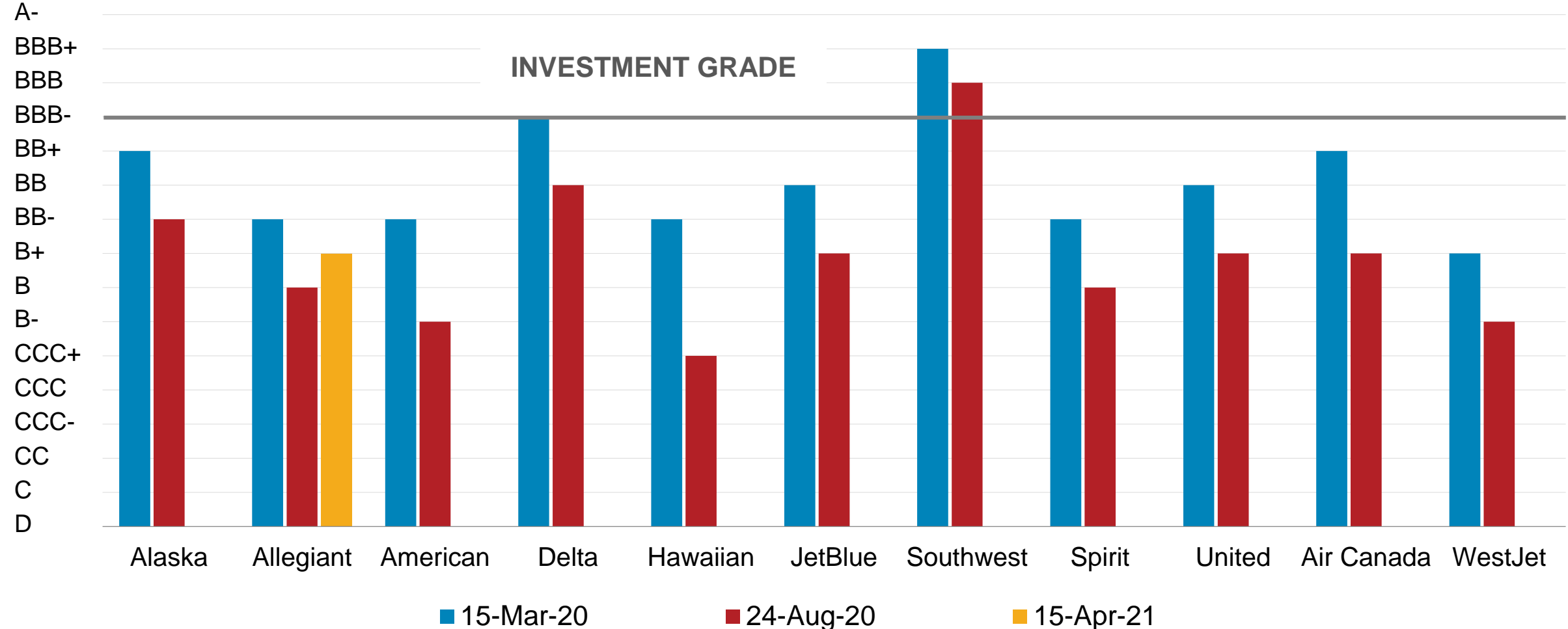
Interest Expense, Net (\$ Billions)



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

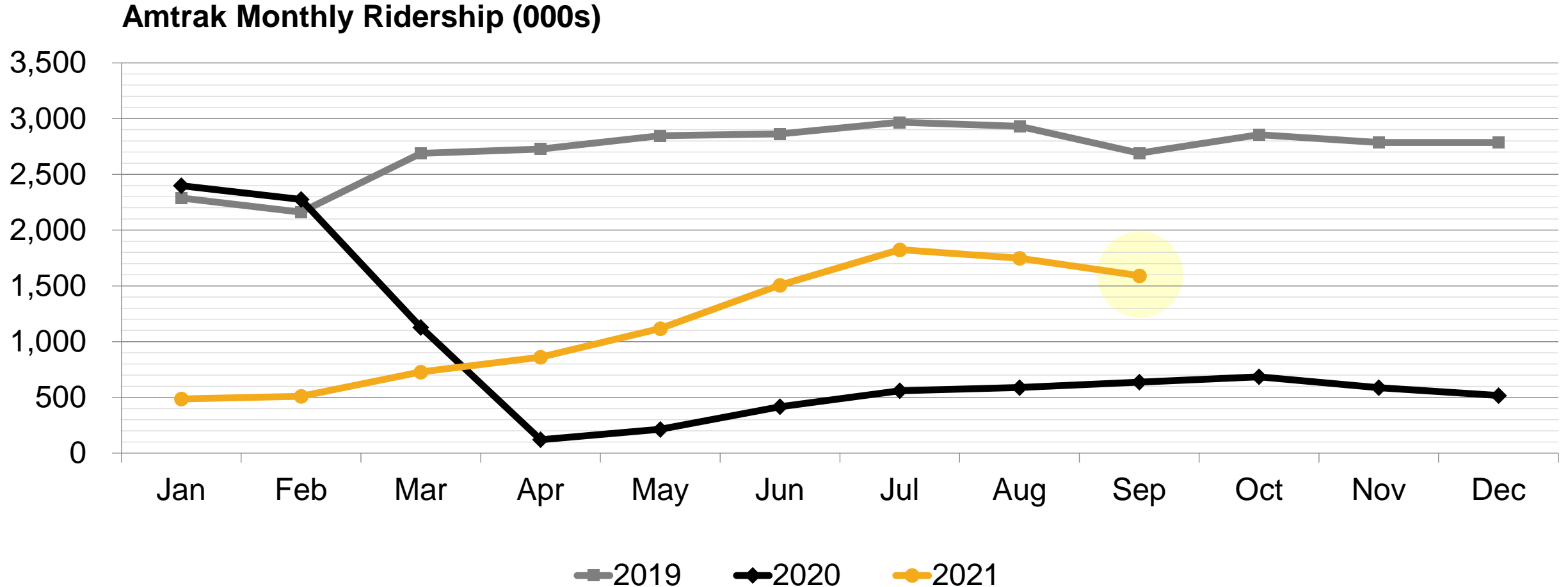


Source: Standard & Poor's

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

Ridership on Amtrak Remains Far Below Pre-Pandemic Levels

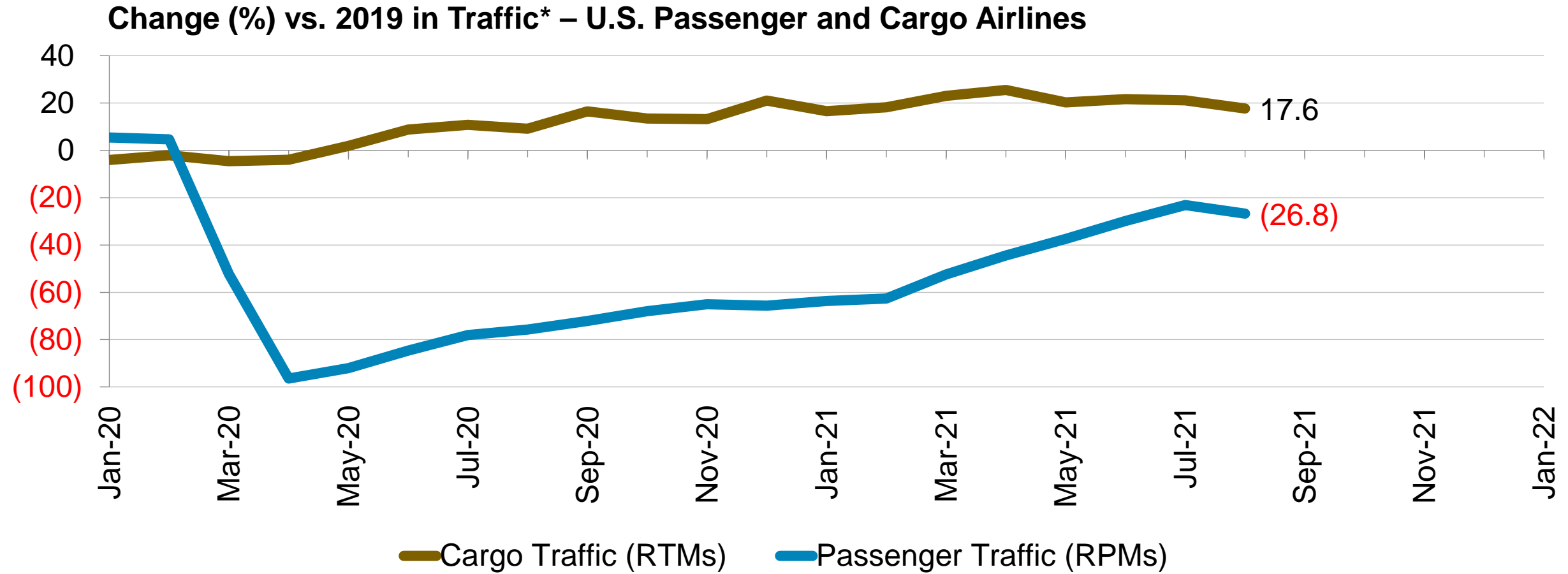
Through the First Nine Months of 2021, Amtrak Passenger Volume Fell 57% Below July 2019



Sources: Federal Railroad Administration Office of Safety Analysis

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

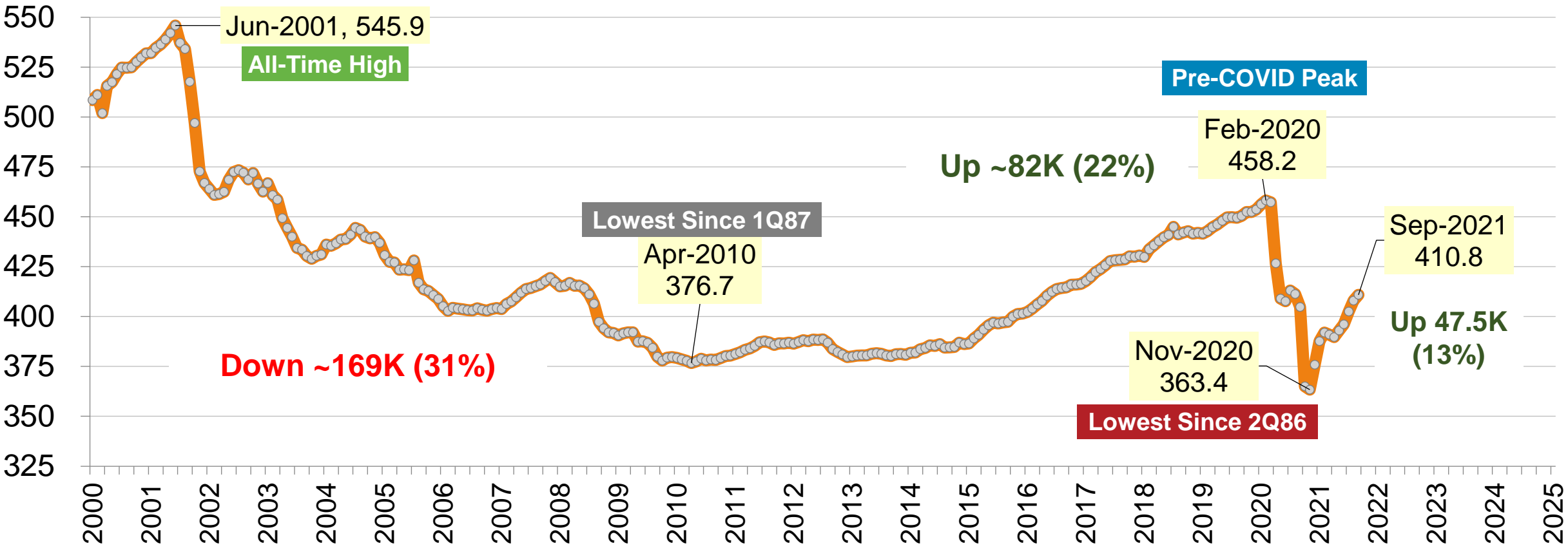
Carrier Universe	Scheduled U.S. Passenger Airlines	All U.S. Passenger and Cargo Airlines
Measure	FTEs* (000)	Headcount (000)
All-Time High	Jun-2001: 545.9	May-2001: 760.8
Post-2000 Low Point	Apr-2010: 376.7	Apr-2010: 562.3
Pre-COVID Peak	Feb-2020: 458.2	Feb-2020: 753.4
Latest Available Data Point	Sep-2021: 410.8	Oct-2021: 718.2

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

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)

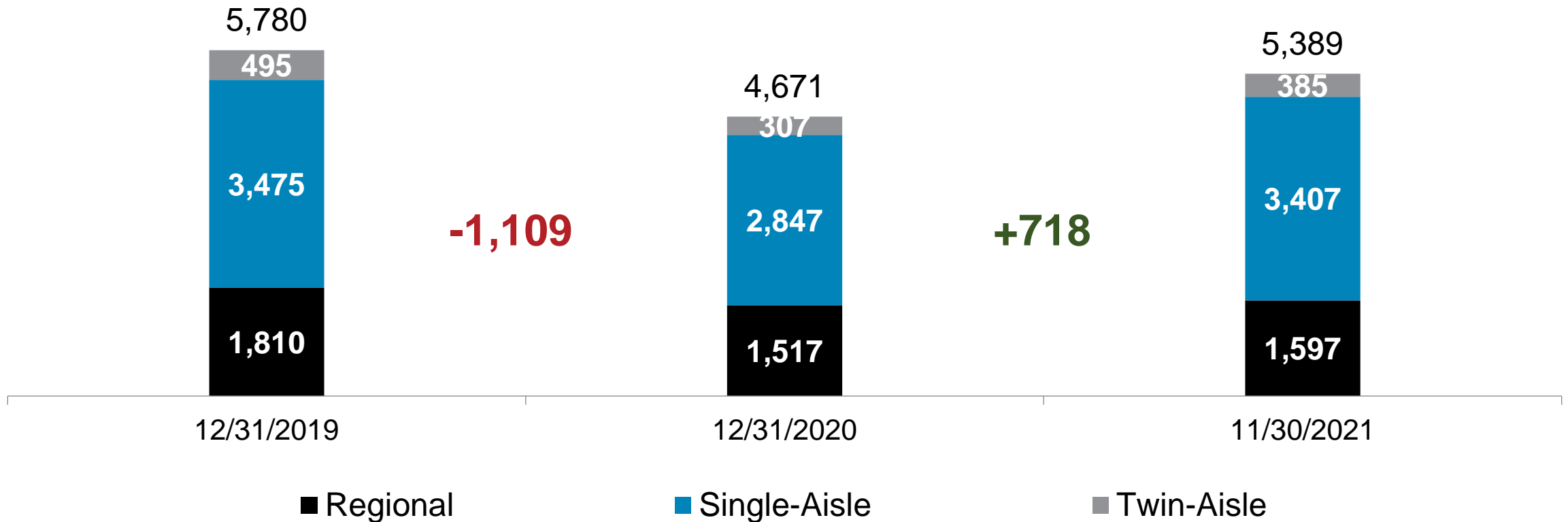


Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)

U.S. Passenger Airlines Have Grown the Active Fleet by 718 Units Since the End of 2020

Net Reduction of 1,109 (19%) From YE19 to YE20 and 391 (7%) From YE19 to 11/30/2021

Number of Active Aircraft*

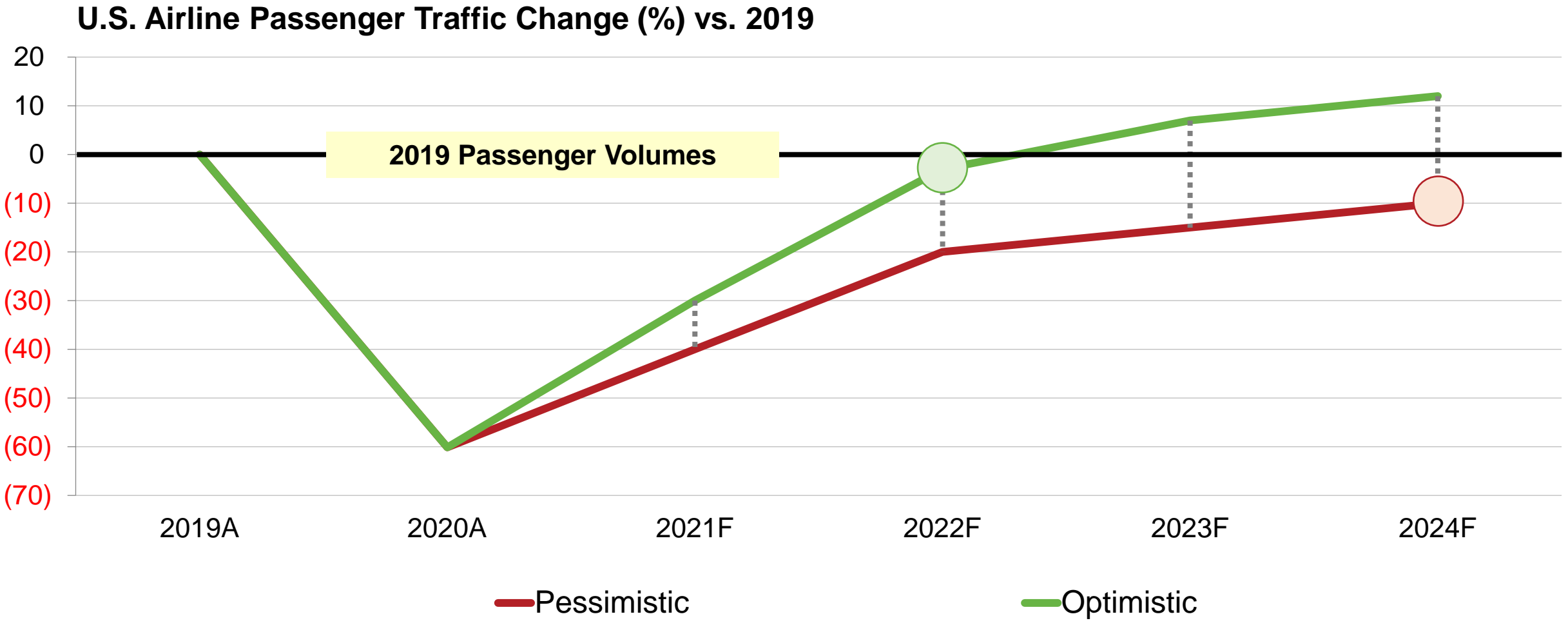


Source: Anuvu (formerly Global Eagle masFlight)

* 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

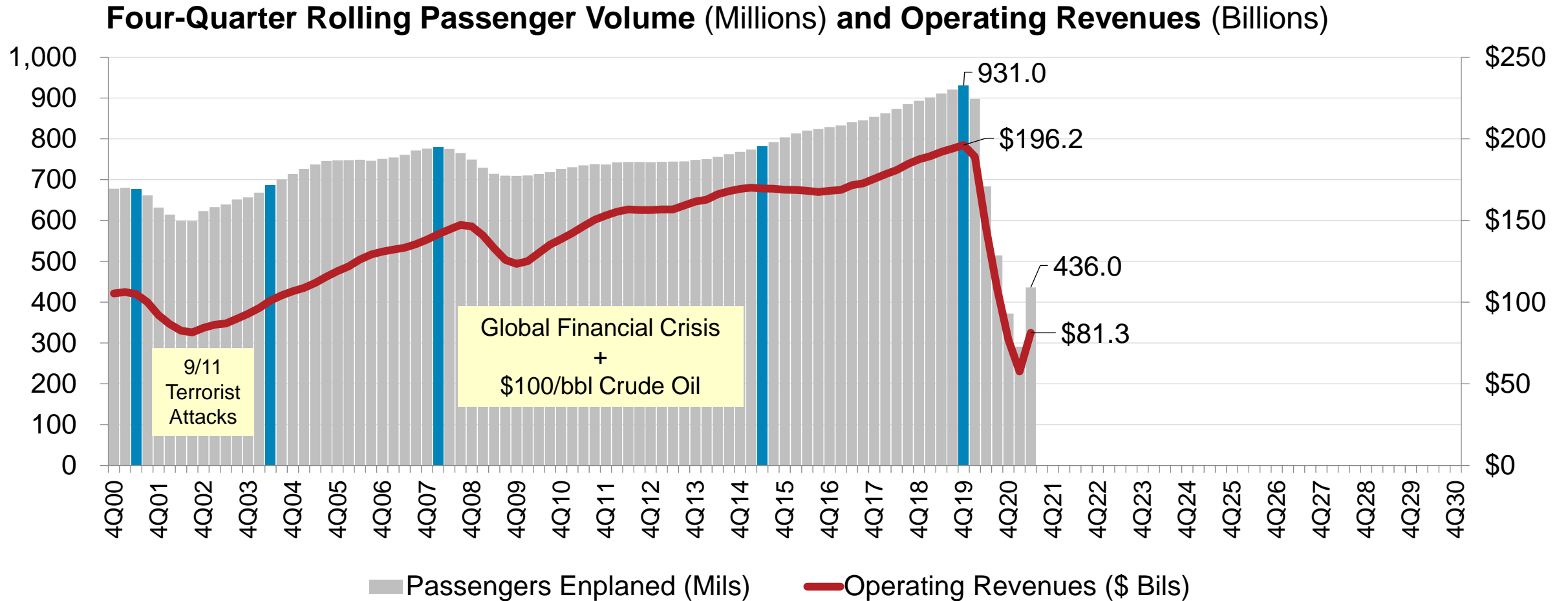


Source: A4A and various airline equity analysts

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



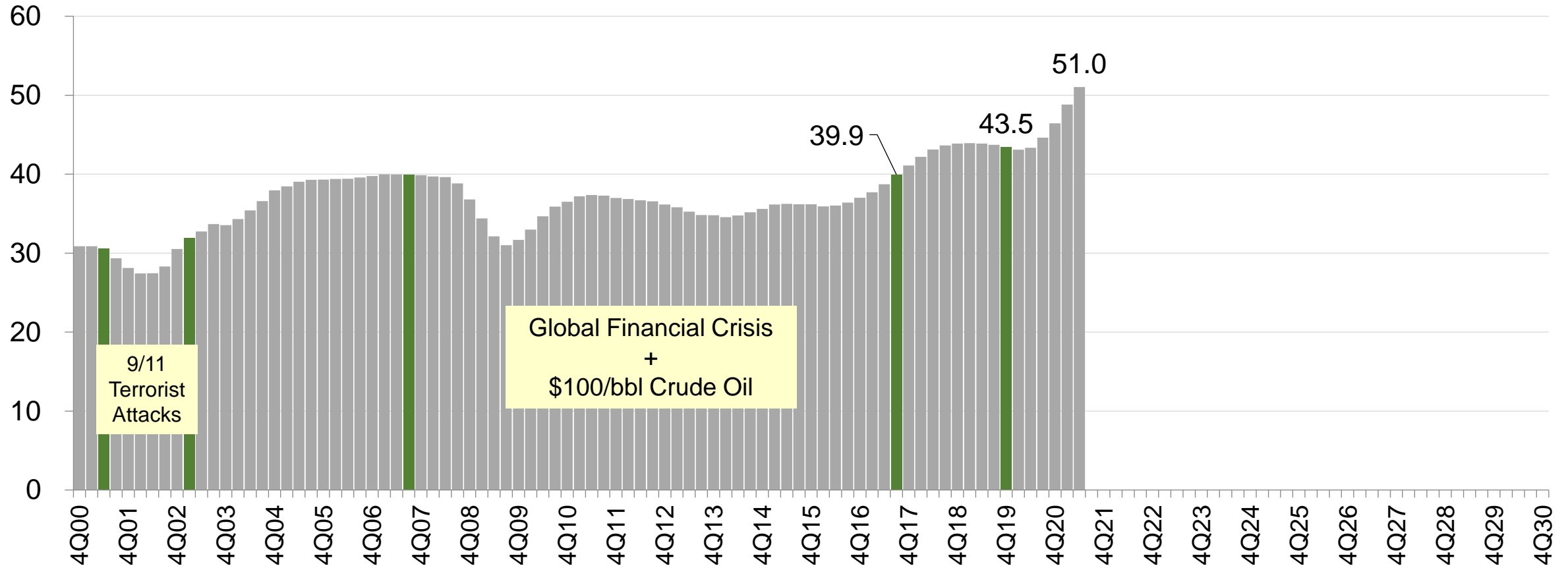
Source: A4A Passenger Airline Cost Index, BTS (Form 41 Schedule T1) and Bernstein Research

* 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

“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)



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