



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

## Emerging From the Pandemic

Updated May 12, 2022

*“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 trail pre-pandemic levels.
- » Air cargo demand, which surged in 2020, reached an all-time high in 2021 and remains strong in 2022.
- » As with numerous other industries, U.S. airlines are facing inflationary pressures across several cost categories (e.g., labor, fuel, maintenance, rents, landing fees).
- » U.S. passenger airlines are projected to lose about \$1B pretax in 2022.
- » Debt—and interest expense—will remain elevated through at least 2024.

# A Multiyear, Multistage Recovery Is Underway

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**Contain  
the Virus**



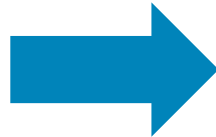
**Stabilize the  
Economy**



**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**

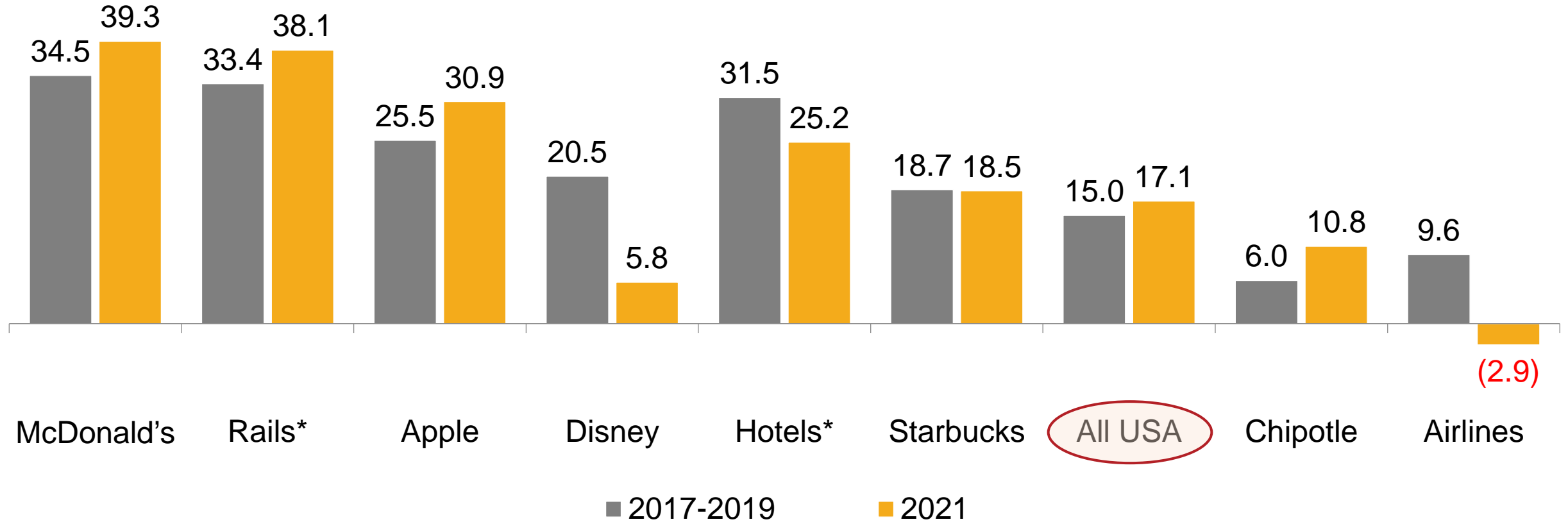


**Repair Balance  
Sheets**

# For Many Non-Travel U.S. Industries, 2021 Profitability *Exceeded* Pre-Pandemic Profitability

## Pre-Tax Profit Margin (% of Operating Revenues)

### Pre-Pandemic Pre-Tax Profit Margin (%)



Sources: Bureau of Economic Analysis, A4A Passenger Airline Cost Index and company SEC filings

\* Hotels = Choice/Hilton/Hyatt/Marriott/Wyndham; Rails = CSX/Norfolk Southern/Union Pacific

# U.S. Passenger Airlines Incurred ~\$6.6 Billion in Pre-Tax Losses in 1Q 2022

Operating Revenues 13% *Below* 1Q 2019, Operating Expenses 6% *Above* 1Q 2019

Financial Results: 1Q 2022	\$ Billions	% vs. 2019	% of Category
Passenger (RPMs down 19%, yield down 0.6%)	30.7	(20)	84.2
Cargo	1.4	82	3.9
Other <sup>1</sup>	4.3	45	11.8
<b>Total operating revenues</b>	<b>36.5</b>	<b>(13)</b>	<b>100.0</b>
Salaries, wages and benefits*	13.1	5	31.6
Aircraft fuel and related taxes	9.6	12	21.2
Maintenance materials and repairs	2.1	0	5.2
Landing fees and airport rentals	2.7	18	6.5
Depreciation and amortization <sup>2</sup>	2.4	5	5.8
Other <sup>3</sup>	11.5	105	27.7
<b>Total operating expenses</b>	<b>41.6</b>	<b>6</b>	<b>100.0</b>
Interest and other non-op expenses, net	1.5	252	n/a
<b>Pre-tax income/(loss)</b>	<b>(6.6)</b>	<b>n/a</b>	<b>n/a</b>

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.

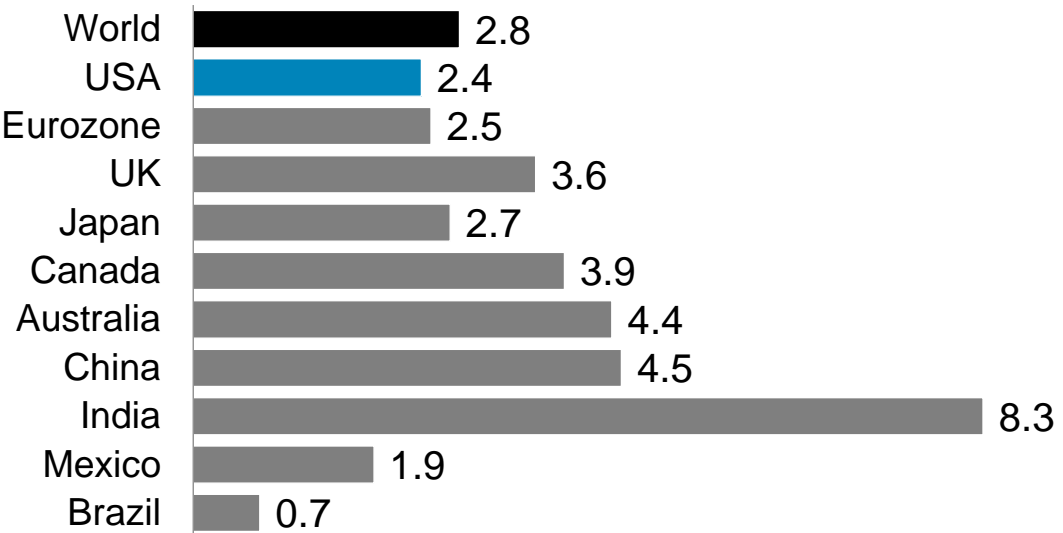
Source: Alaska, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit and United

# Per Wells Fargo, the *Global* Economy Will Grow 2.8% in 2022

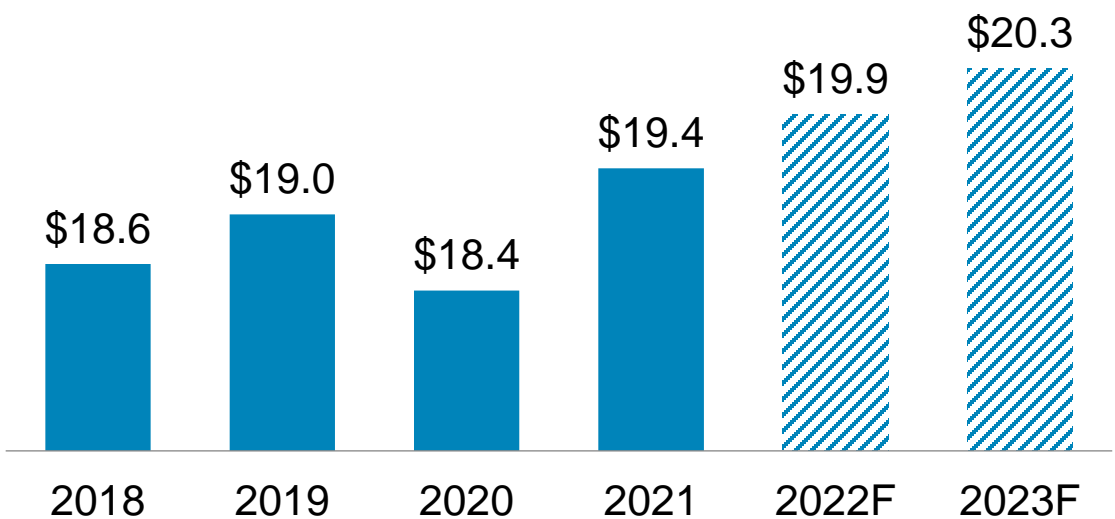
## The U.S. Economy Is Projected to Grow Just 2.4%

“The underlying strength of household and business balance sheets is one of the reasons why we continue to expect the economy to maintain a positive trajectory over the next two years.” (Wells Fargo, May 12, 2022)

### Projected 2022 Real GDP Growth (%)



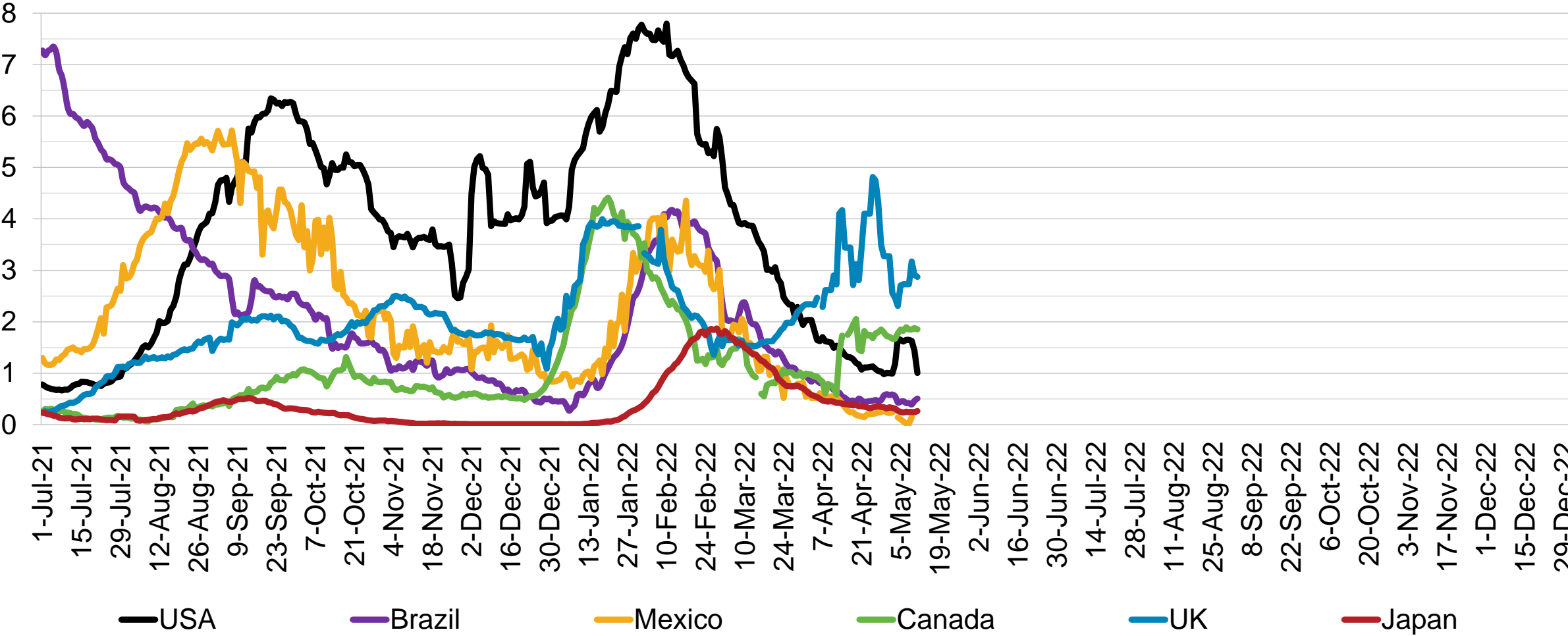
### U.S. Real GDP (Trillions, \$2012)



Source: Wells Fargo Securities (May 12, 2022) and U.S. Bureau of Economic Analysis

# COVID-19 Fatality Rates Have Fallen Sharply in the USA But Remain Elevated in the UK

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



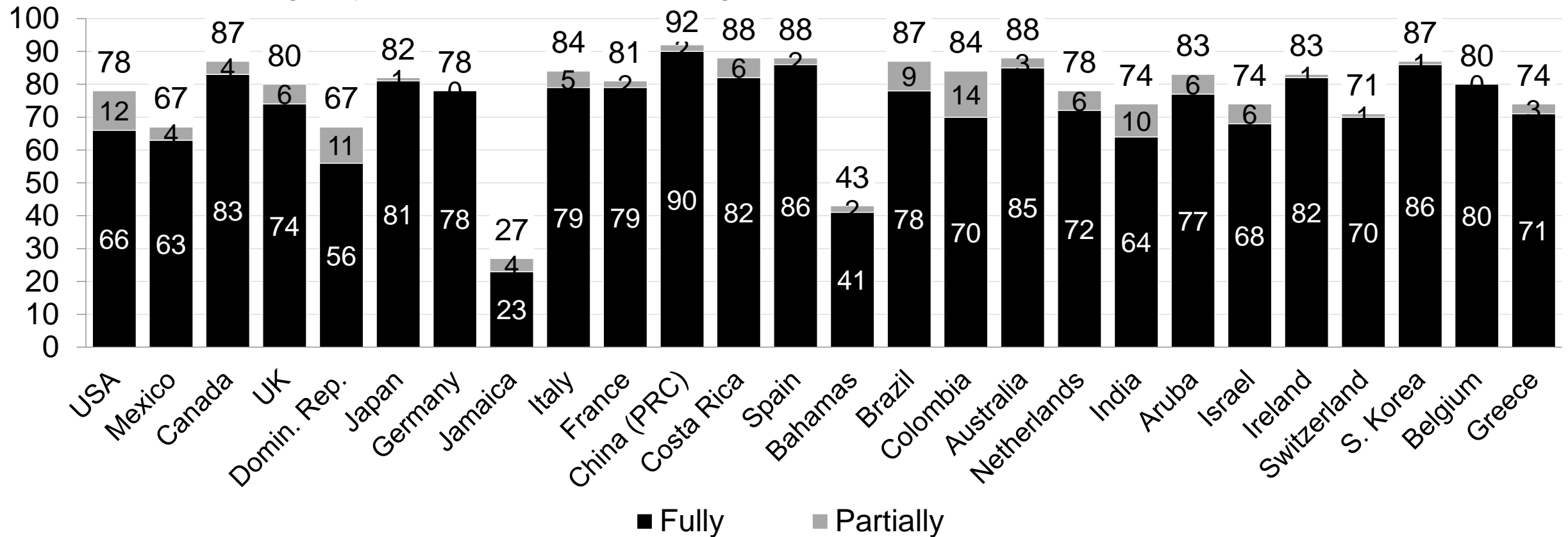
Source: Johns Hopkins University Center for Systems Science and Engineering via Our World in Data (a project at the University of Oxford)

# In 19 of the Top U.S.-International Markets, at Least 70% of the Population Is *Fully* Vaccinated

## In 21, 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



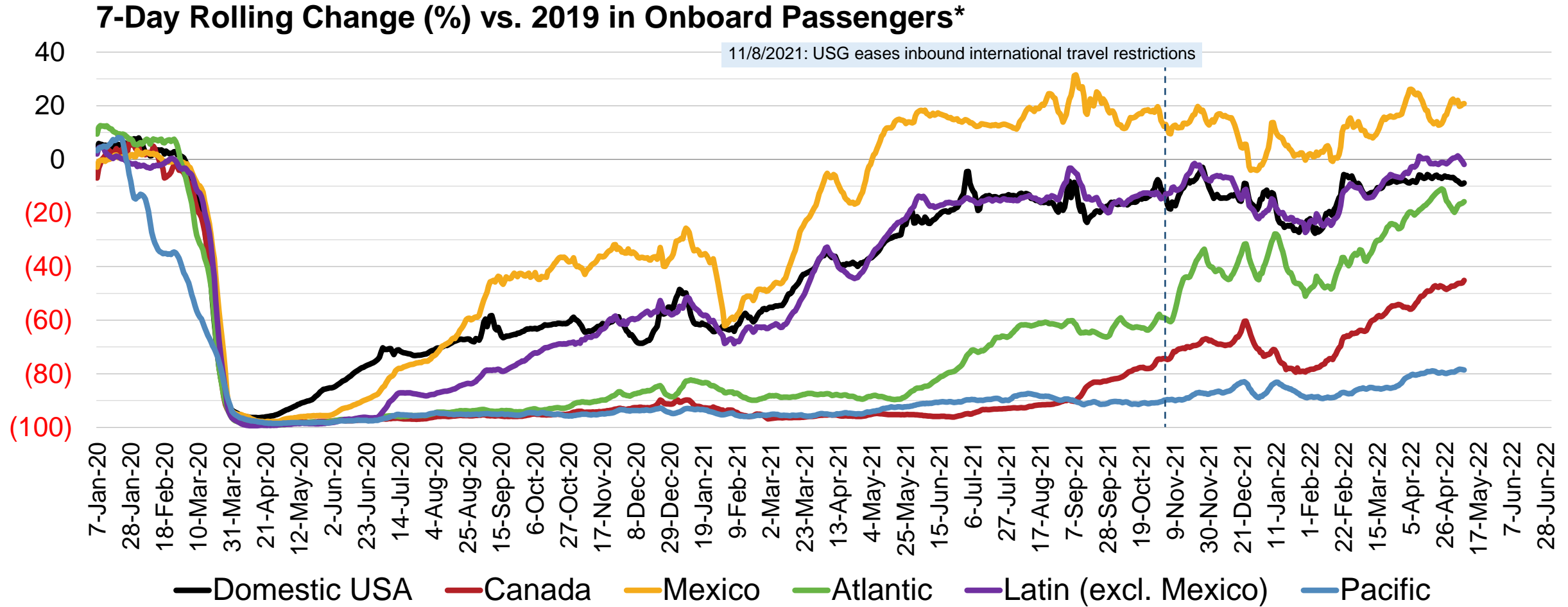
Source: Our World in Data (a project at the University of Oxford using governmental sources) via *The New York Times* and DOT Data Bank 1B

\* Partially = received at least one dose of a vaccine as of May 11, 2022



# May 2-8: A4A Member Airline Passenger Volumes Were 10% Below 2019 Levels

Domestic Air Travel Down 9%, International Air Travel Down 15%

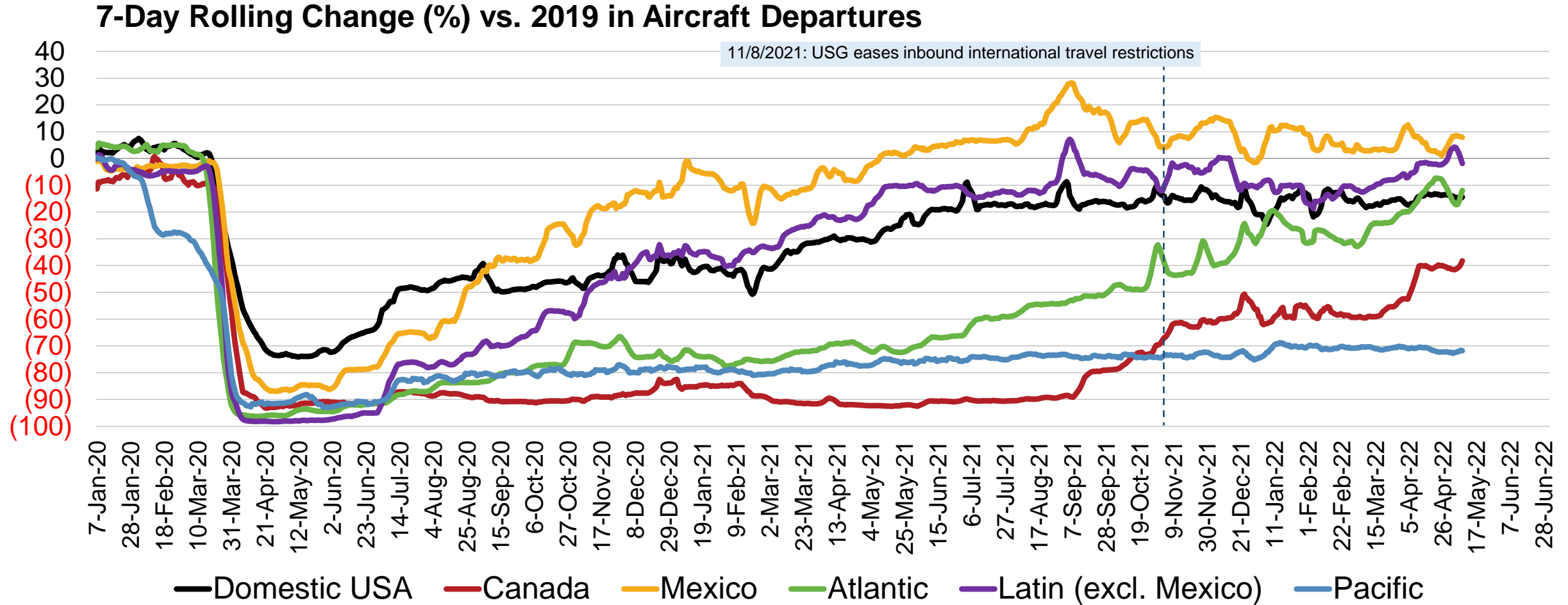


Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

\* Onboard ("segment") passengers

# May 2-8: A4A Member Airline Departures Were 14% Below 2019 Levels

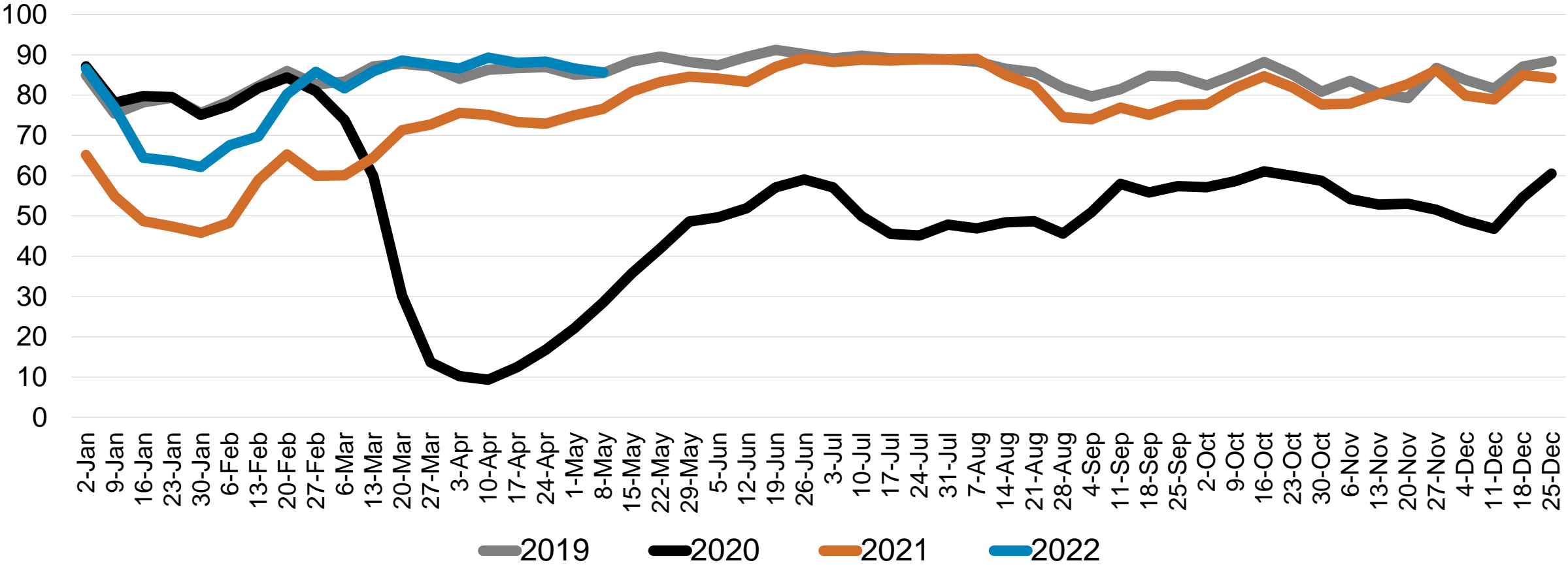
Domestic Flights Operated Down 14%, International Flights Operated Down 14%



Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

# A4A Member Domestic U.S. Load Factor Is Now Comparable to Pre-Pandemic Levels

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

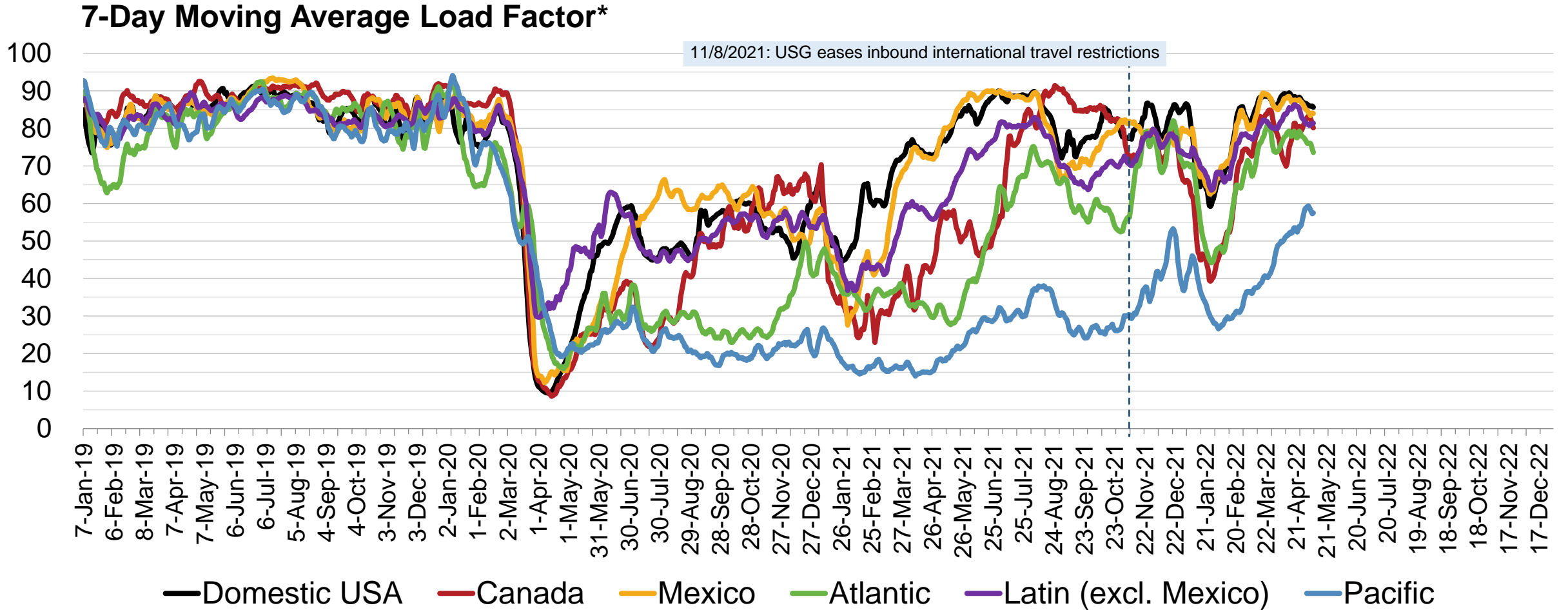


Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

\* Revenue passenger miles divided by available seat miles

# Transpacific Flights Continue to Suffer From Unsustainably Low Load Factors

## But Finally Showing Material Improvement



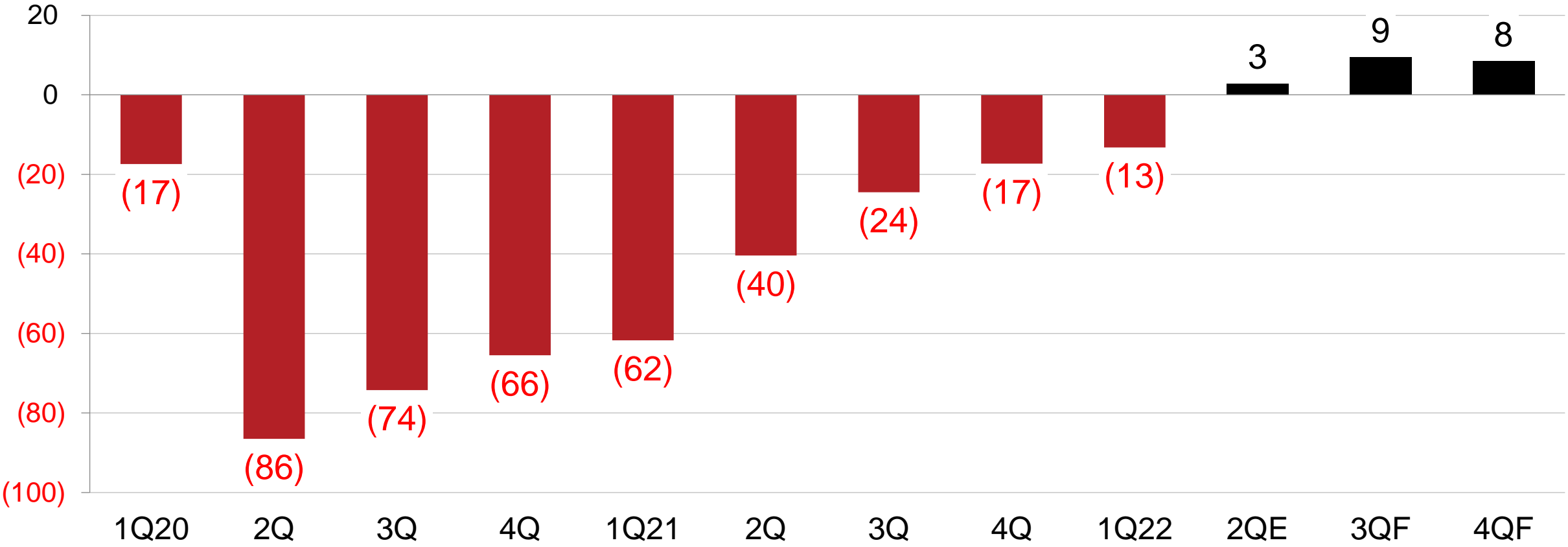
Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

\* Traffic (RPMs) divided by capacity (ASMs)

# For U.S. Passenger Airlines, Operating Revenues Have Been Slow to Recover

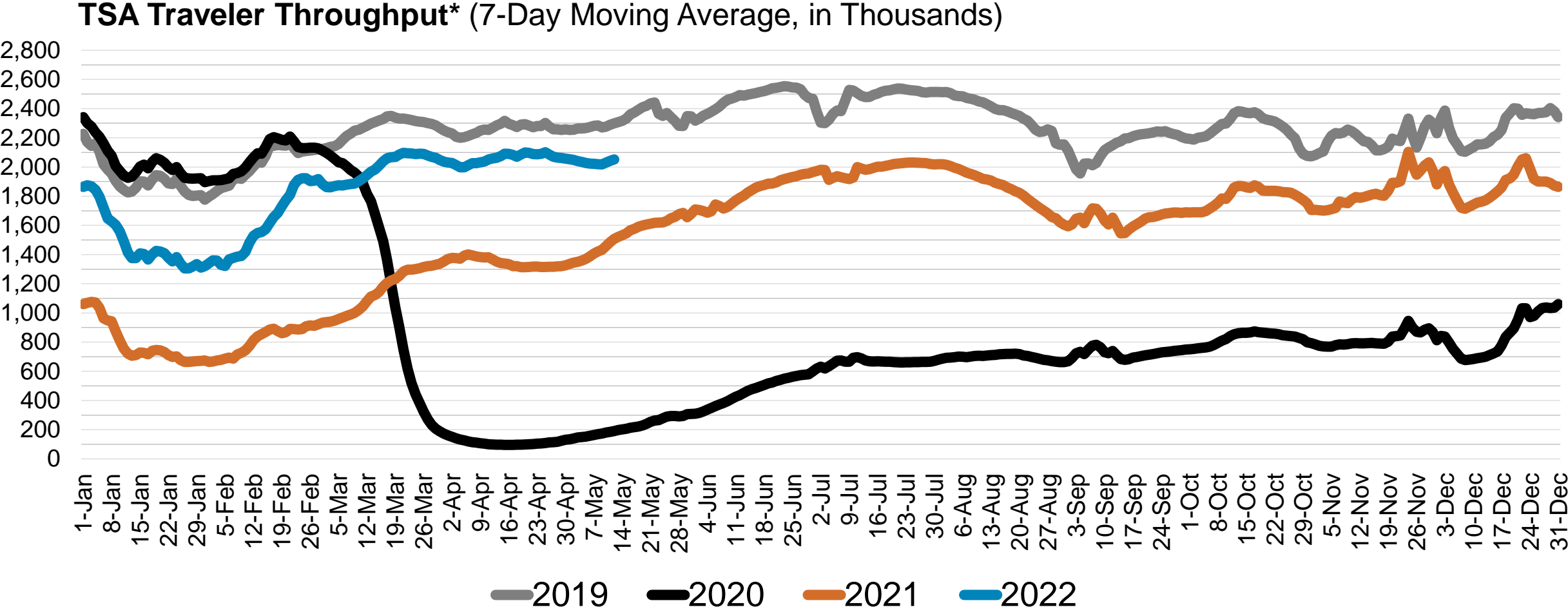
Total Operating Revenues for the Group Are Expected to Exceed 2019 Levels in the Coming Quarters

U.S. Passenger 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 Week Ending May 11, TSA Checkpoint Volumes Fell 11% Below 2019 Levels

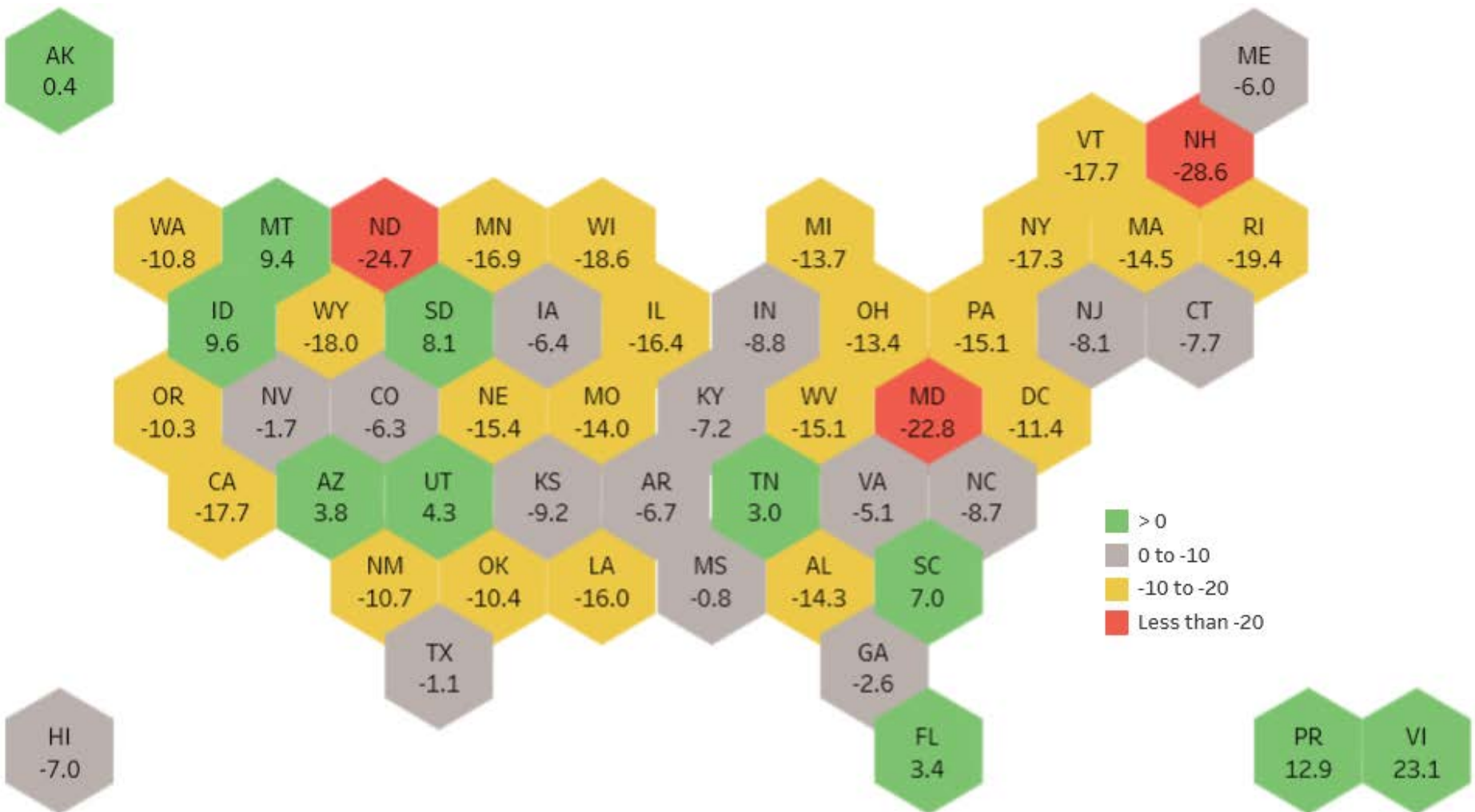


Source: Transportation Security Administration

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

# In April, Demand Exceeded 2019 Levels in 11 U.S. States and Territories

## Change (%) in TSA Traveler Throughput by U.S. State/Territory — Apr-2022 vs. Apr-2019

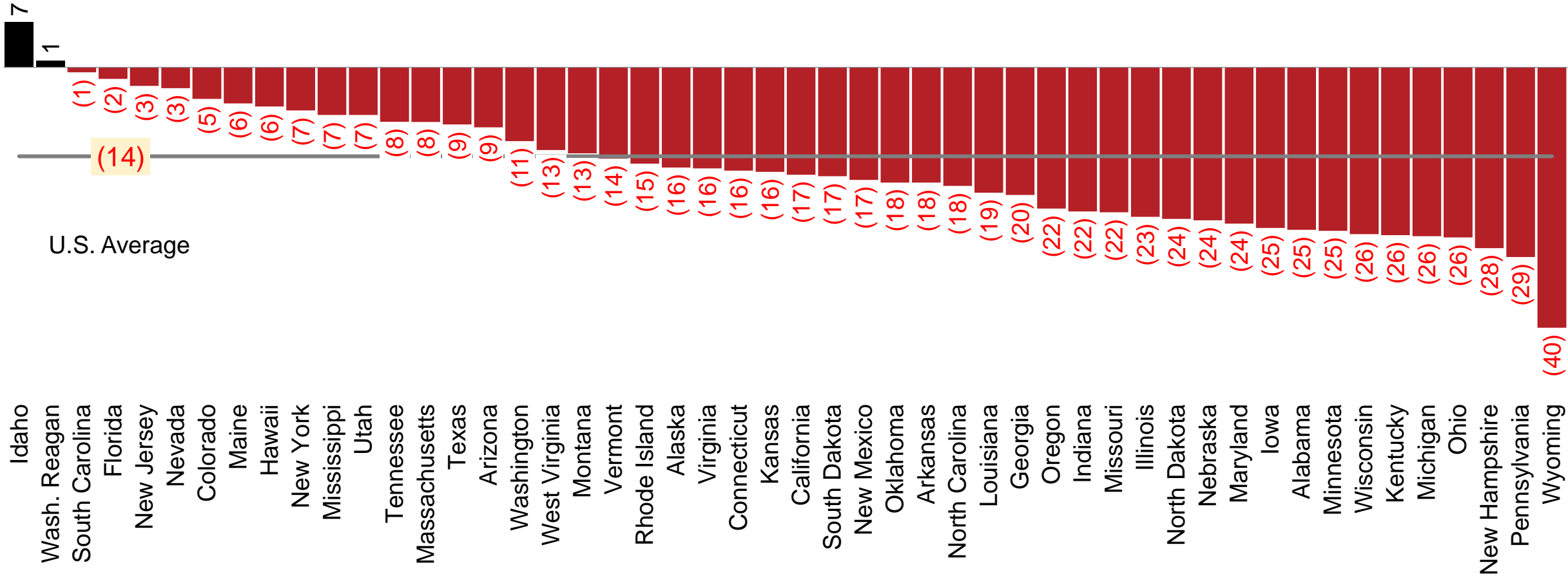


Source: Transportation Security Administration

# U.S. Airports Are Showing a 14% Decline in 2Q 2022 Flights vs. Pre-Pandemic Levels

## Idaho Is Leading in Growth

Change (%) in U.S. Outbound Scheduled Passenger Flights: 2Q22 vs. 2Q19



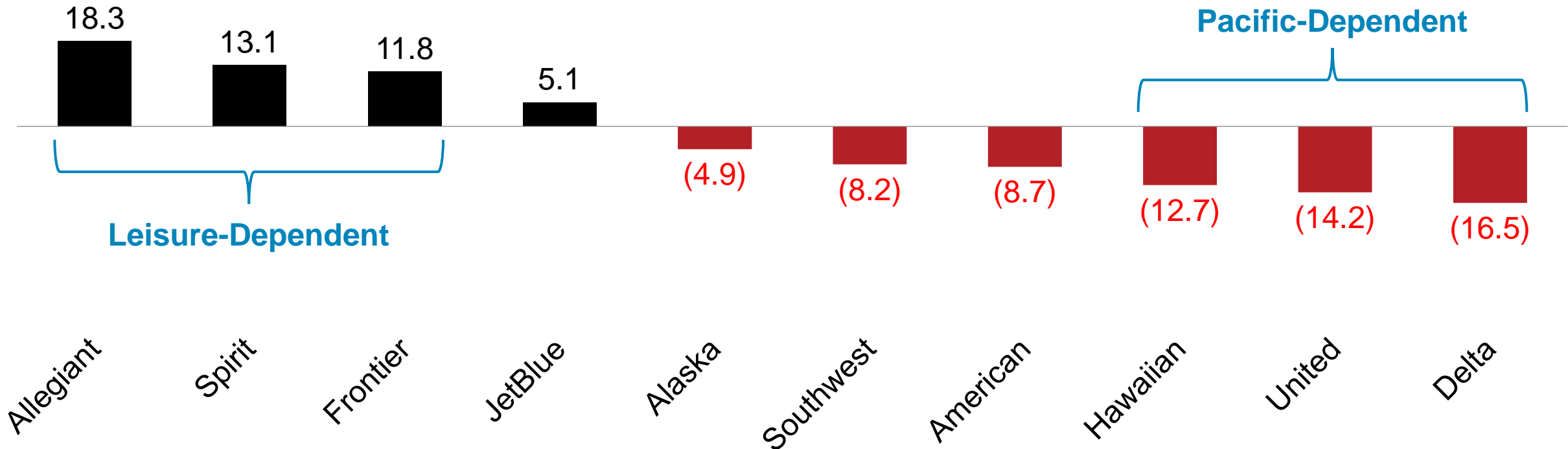
Source: Diio by Cirium published schedules (May 6, 2022) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations



# Ultra Low-Cost Carriers Continue to Lead U.S. Airlines in Capacity Growth

## Pacific-Dependent Carriers Are Scheduled to Remain Well Below Pre-Pandemic Levels

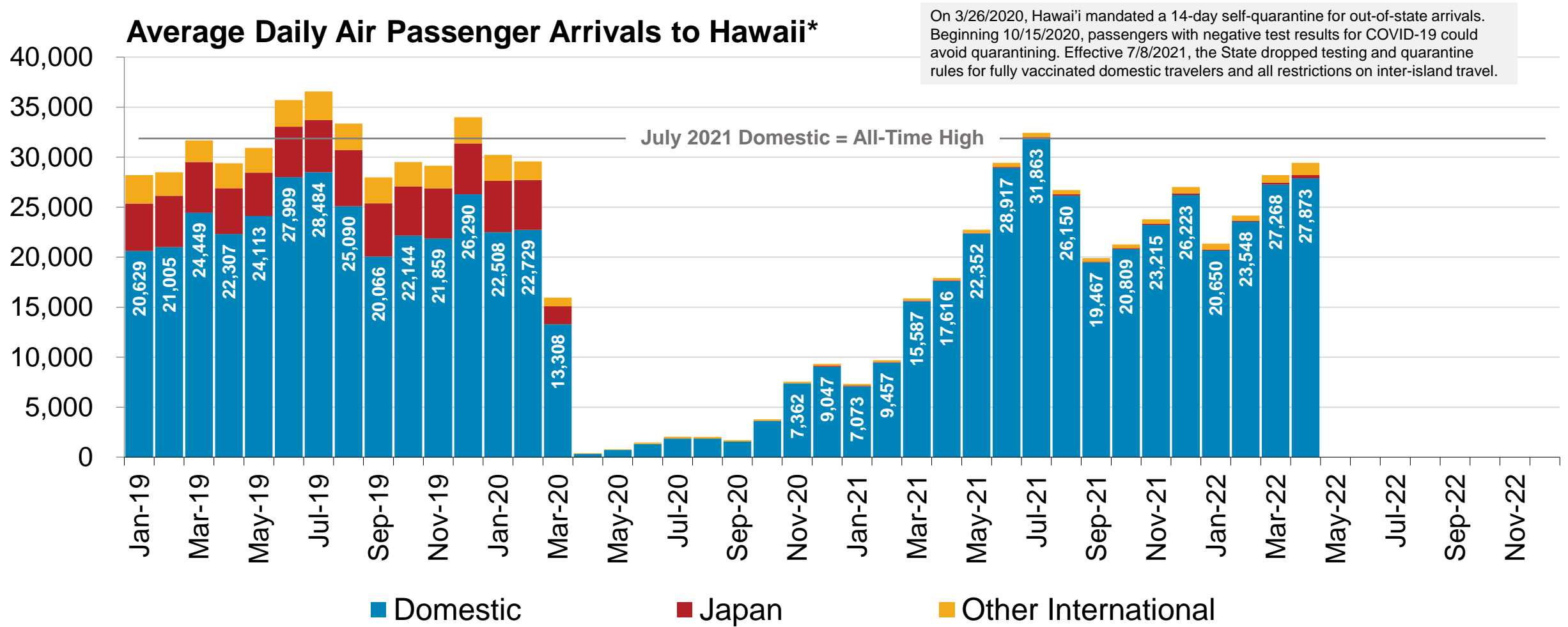
Change (%) in Systemwide Scheduled Available Seat Miles: 2Q 2022 vs. 2Q 2019



Source: Dii by Cirium published schedules (May 6, 2022) for selected marketing airlines (i.e., on a consolidated basis)

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

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

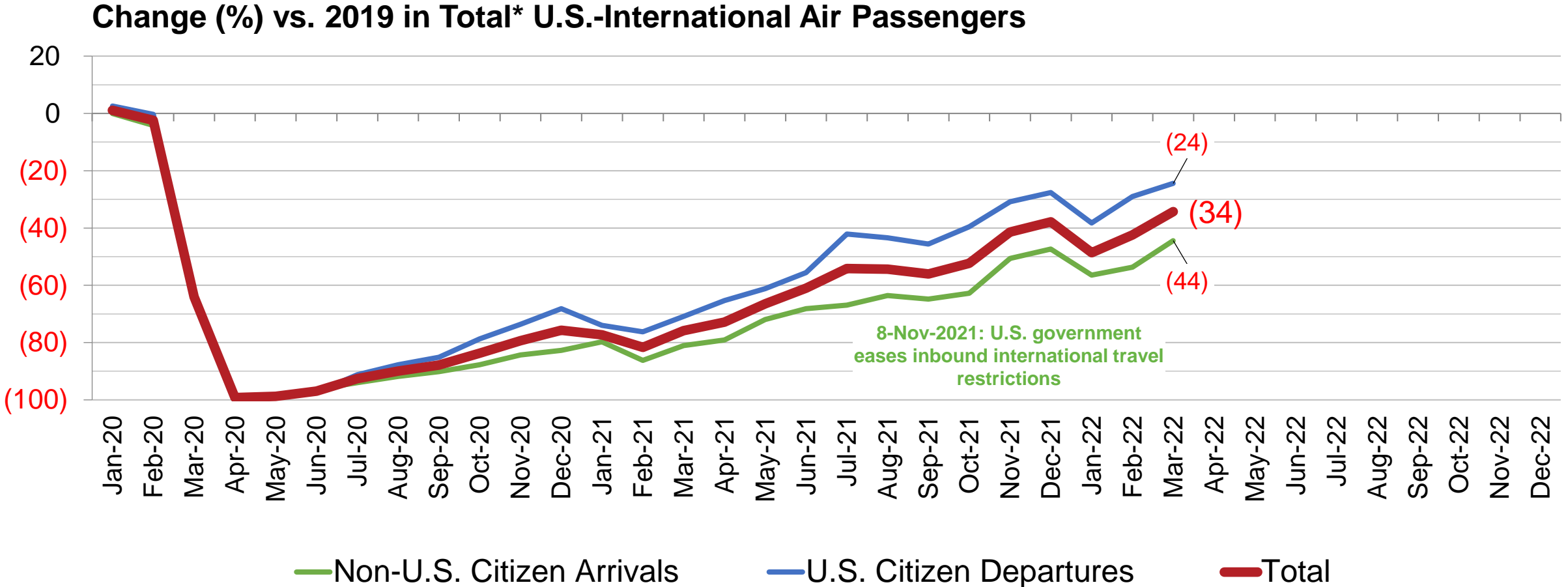


Source: Hawaii Department of Business, Economic Development & Tourism

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

# In March 2022, U.S.-International Air Travel\* Fell 34% Below 2019 Levels

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



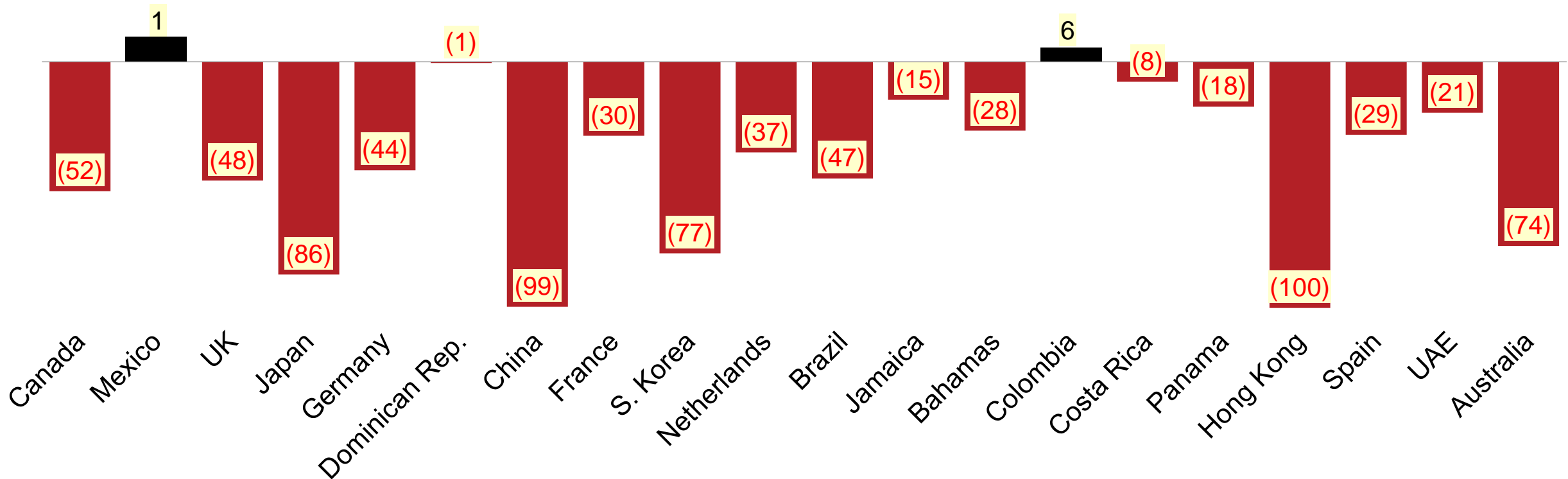
Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data

\* 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 Mar-2019, Three *Fell More Than 80%* in Mar-2022

## U.S.-Mexico and U.S.-Colombia Saw Volumes *Rise*

**Top-20 U.S. Country Pairs: Change (%) in Passengers\* in Mar-2022 vs. Mar-2019**  
Sorted left to right by highest volume in March 2019

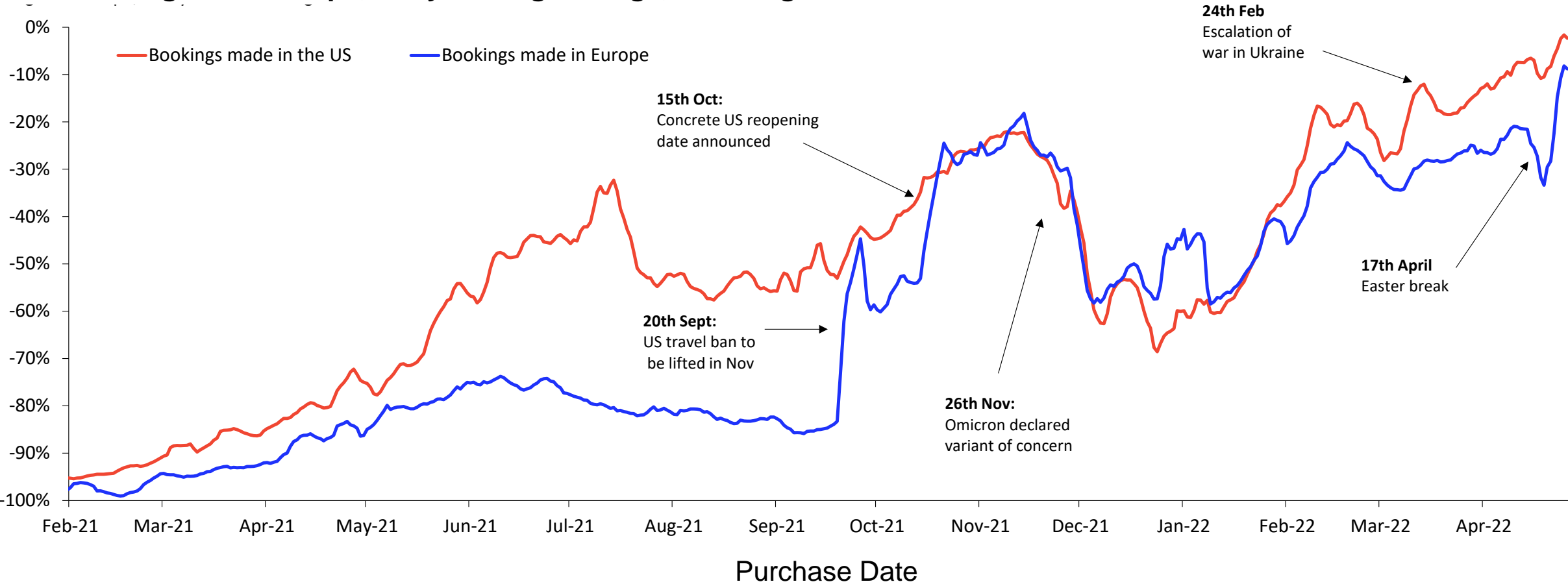


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

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

# IATA: Europe-U.S. Bookings Surged on U.S. Reopening, Rising Again After Initial Ukraine Dip

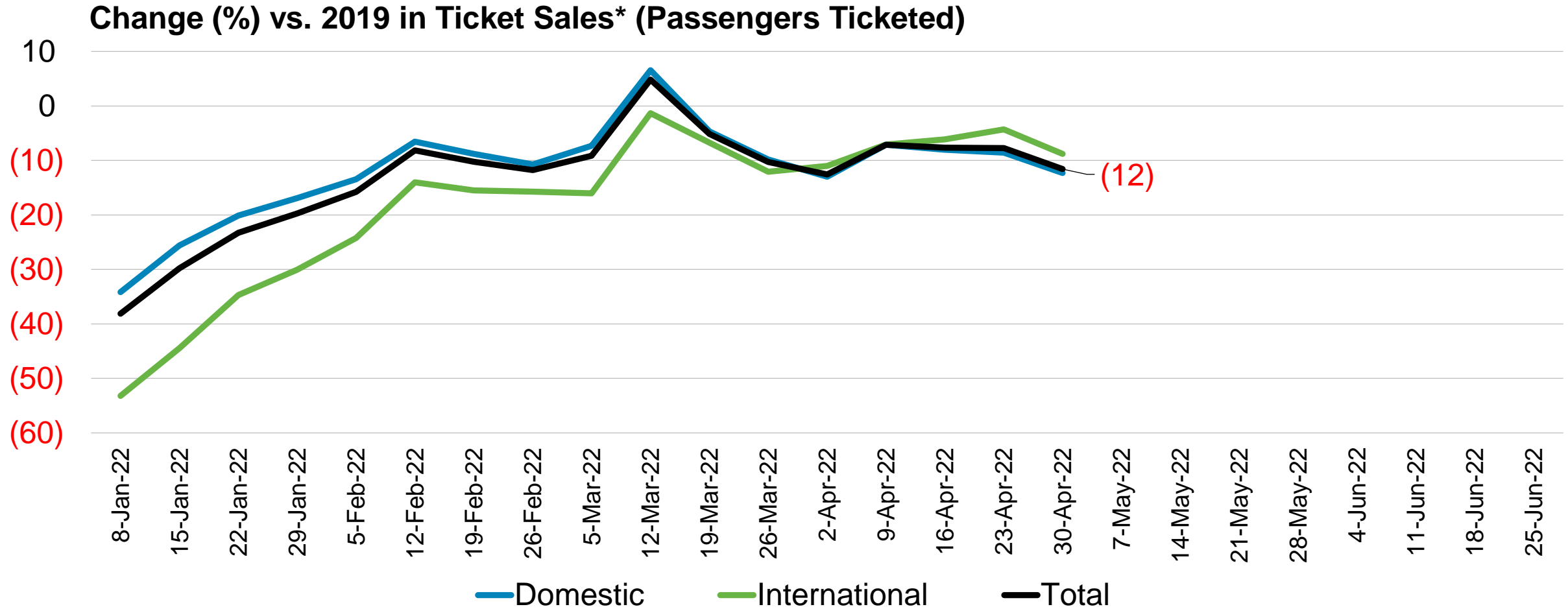
**Bookings U.S.-Europe, 7-Day Moving Average, % Change vs. 2019**



Source: IATA Economics (<https://www.iata.org/en/publications/economics/#>) as of May 2, 2022

# In the Week Ending April 30, Airlines Ticketed 12% Fewer Passengers Than They Did in 2019

Domestic Down 12%, International Down 9%



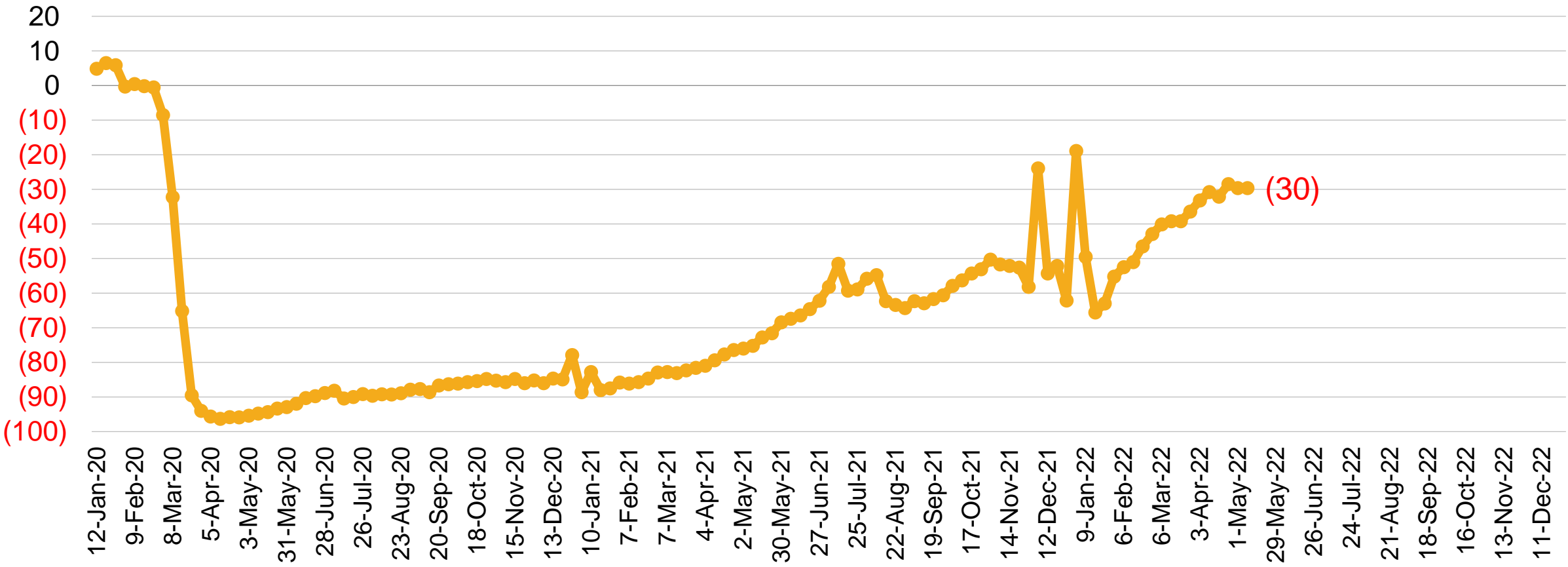
Source: A4A analysis of data from Airlines Reporting Corporation (ARC)

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

# Corporate Ticket Sales Have Improved Steadily Over the Past Couple Months

## Levels Remain Well Below 2019

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

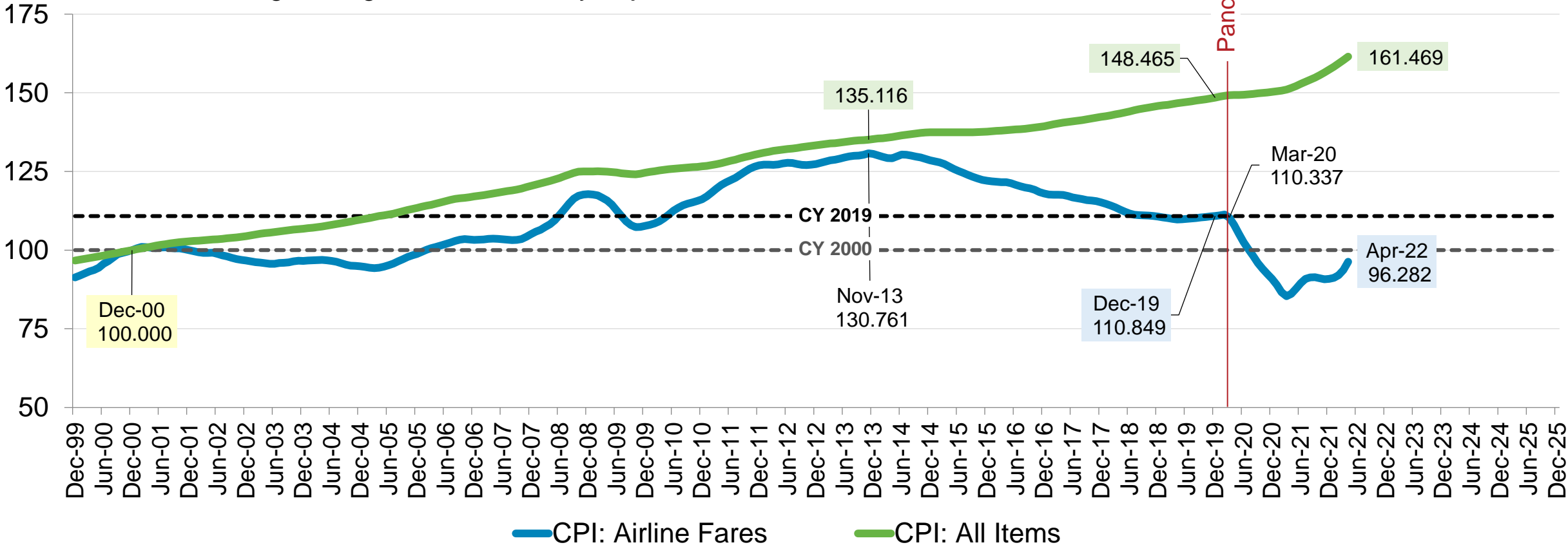


Source: Airlines Reporting Corporation (ARC)

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

# In the 12 Months Ending Apr-2022, CPI for Airline Fares *Fell* 13% Below CY2019 and 4% Below CY2000; in Contrast, Overall Consumer Prices Rose 9% From CY2019 and 61% From CY2000

**U.S. Consumer Price Index (CPI) — Airline Fares vs. All Items (Index: 2000 = 100)**  
 12-Month Moving Average, Not Seasonally Adjusted



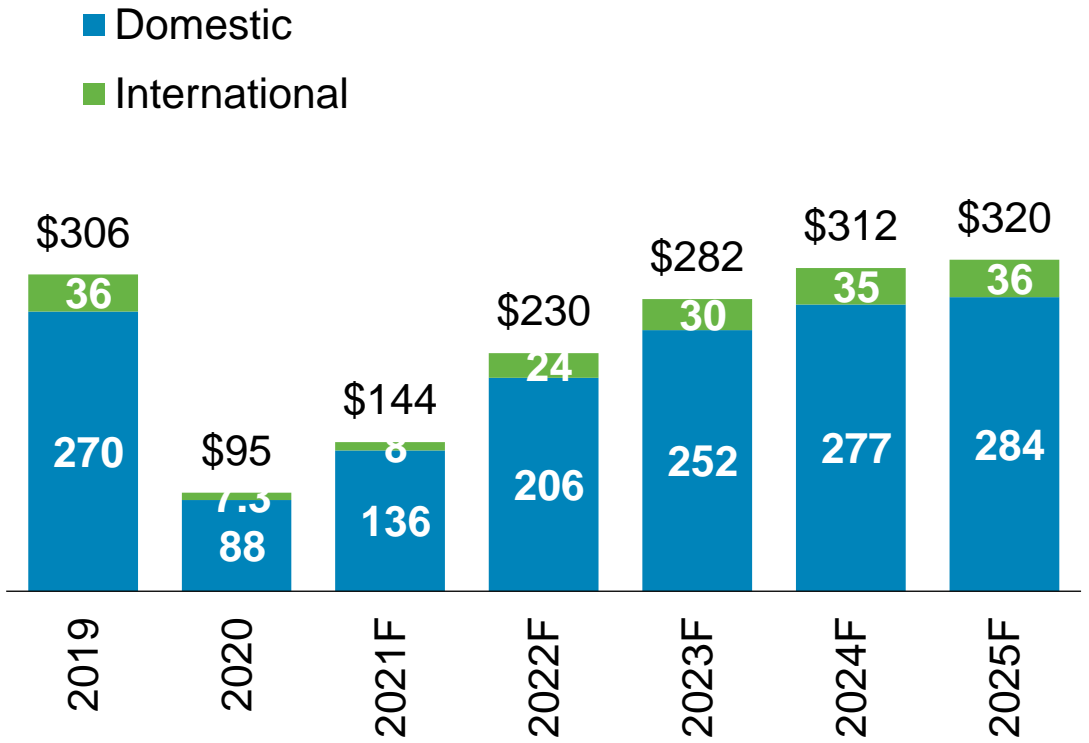
Source: Bureau of Labor Statistics (CPI series CUSR0000SETG01 and CUUR0000SA0); for information on the BLS methodology for “airline fares,” see <https://www.bls.gov/cpi/factsheets/airline-fares.htm>



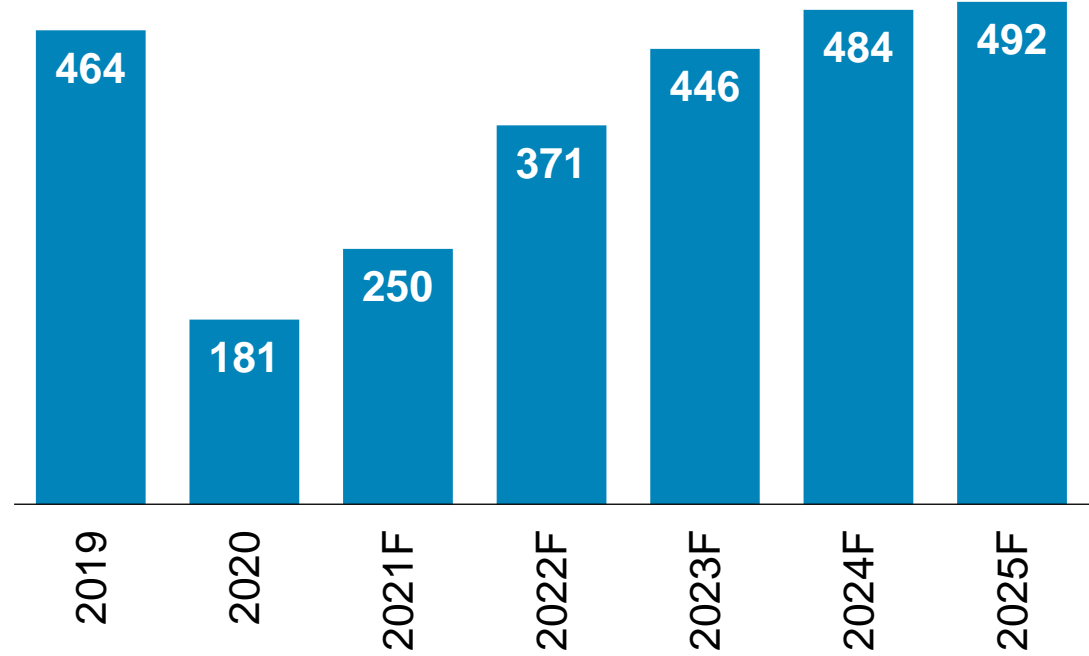
# The U.S. Travel Association Projects U.S. Business Travel to Return to 2019 Levels in 2024

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

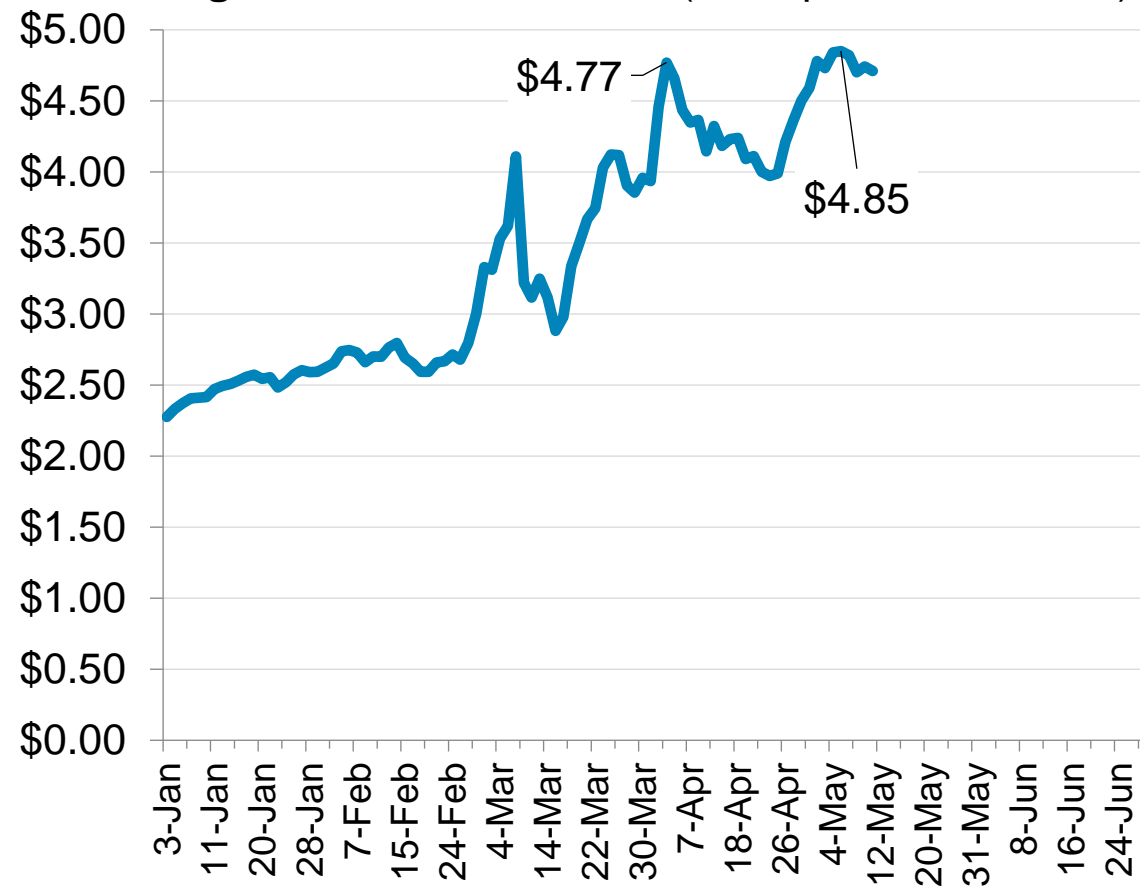
# Jet Fuel Prices Are a Fierce Cost Headwind Once Again—Reaching All-Time Highs in 2Q 2022

## Average Spot Price (in Nominal Terms) of Jet Fuel per Gallon

Monthly Jet Fuel Price per Gallon (U.S. Gulf Coast)



Argus US Jet Fuel Index\* (Price per Gallon, 2022)



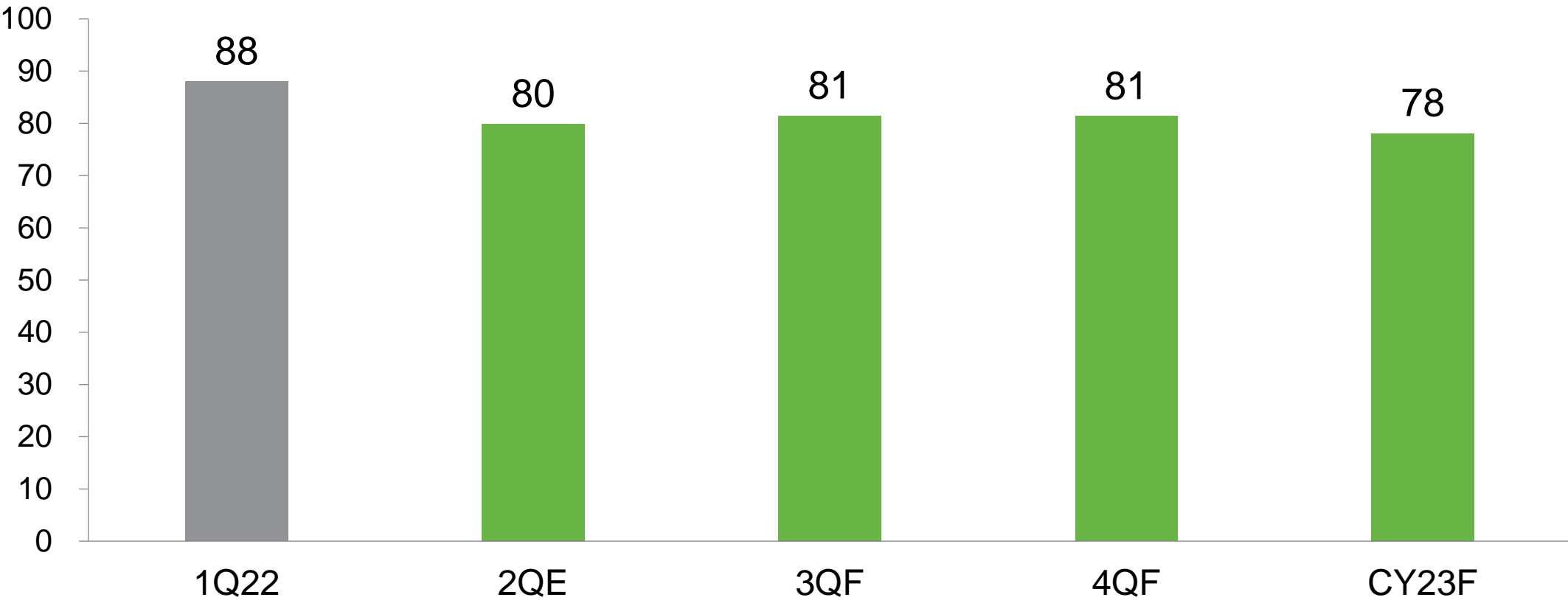
Sources: U.S. Energy Information Administration (left chart) and Argus Media (right chart)

\* Argus daily simple-average jet-fuel price for Chicago, Houston, Los Angeles, and New York

# The Breakeven Load Factor Requirement Should Fall as Yields Improve and Unit Costs Abate

Over the Course of 2022, U.S. Airlines Will Need to Fill ~82% of Capacity to Avoid Losing Money

### Breakeven Load Factor (%) Requirement



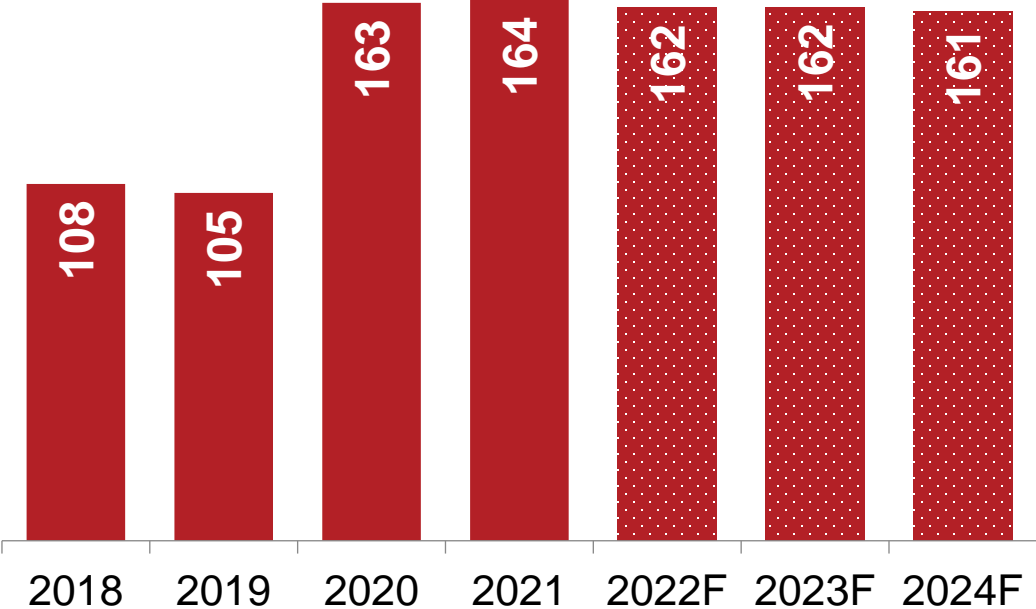
Sources: SEC filings of Alaska/Allegiant/American/Delta/Hawaiian/JetBlue/Southwest/Spirit/United and forecasts from various equity analysts

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

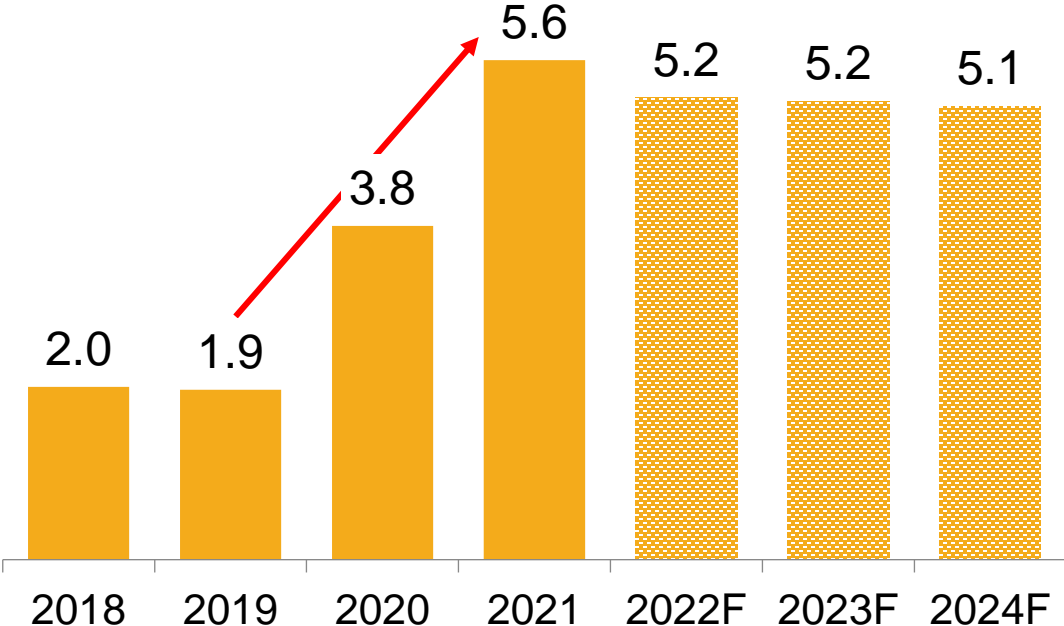
*Net Interest Expense Tripled From 2019 to 2021 and Expected to Total \$15.5 Billion in 2022-2024*

“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)**



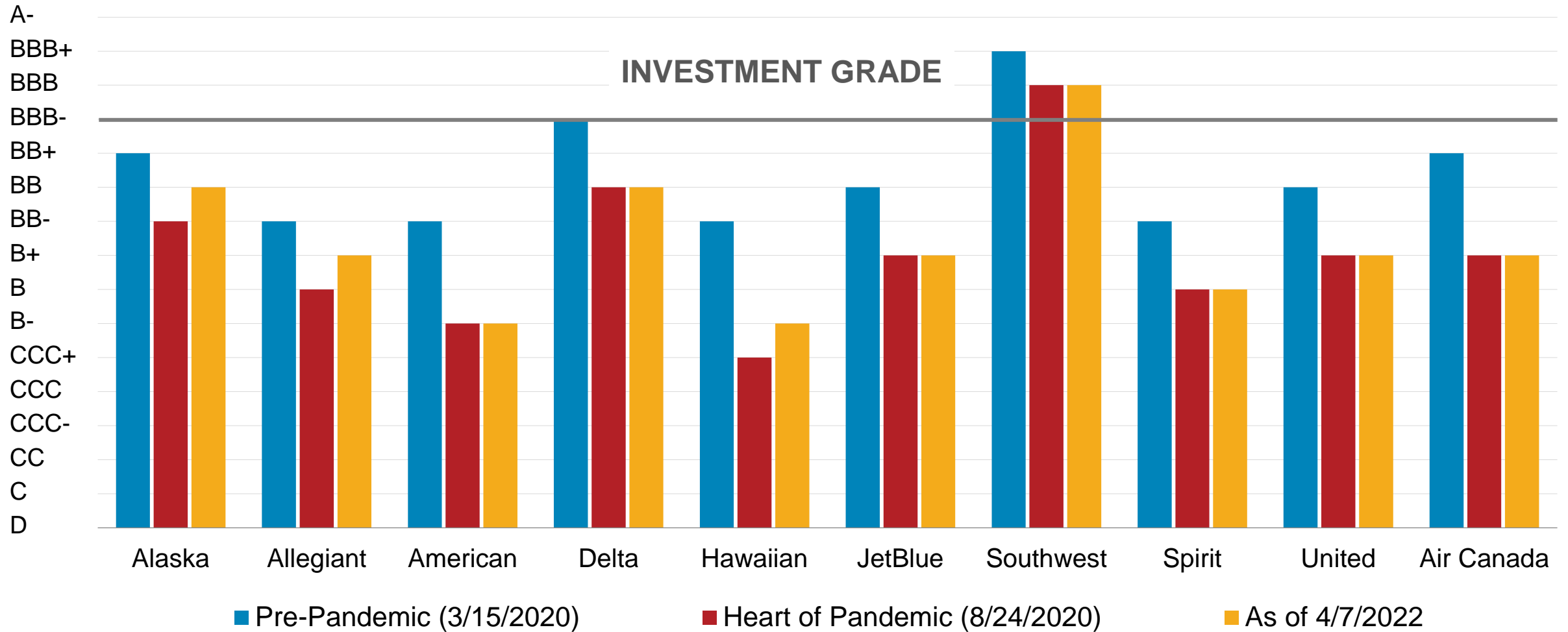
**Interest Expense, Net (\$ Billions)**



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

# Since the Recovery Began, S&P Has Raised Its Ratings on Alaska/Allegiant/Hawaiian

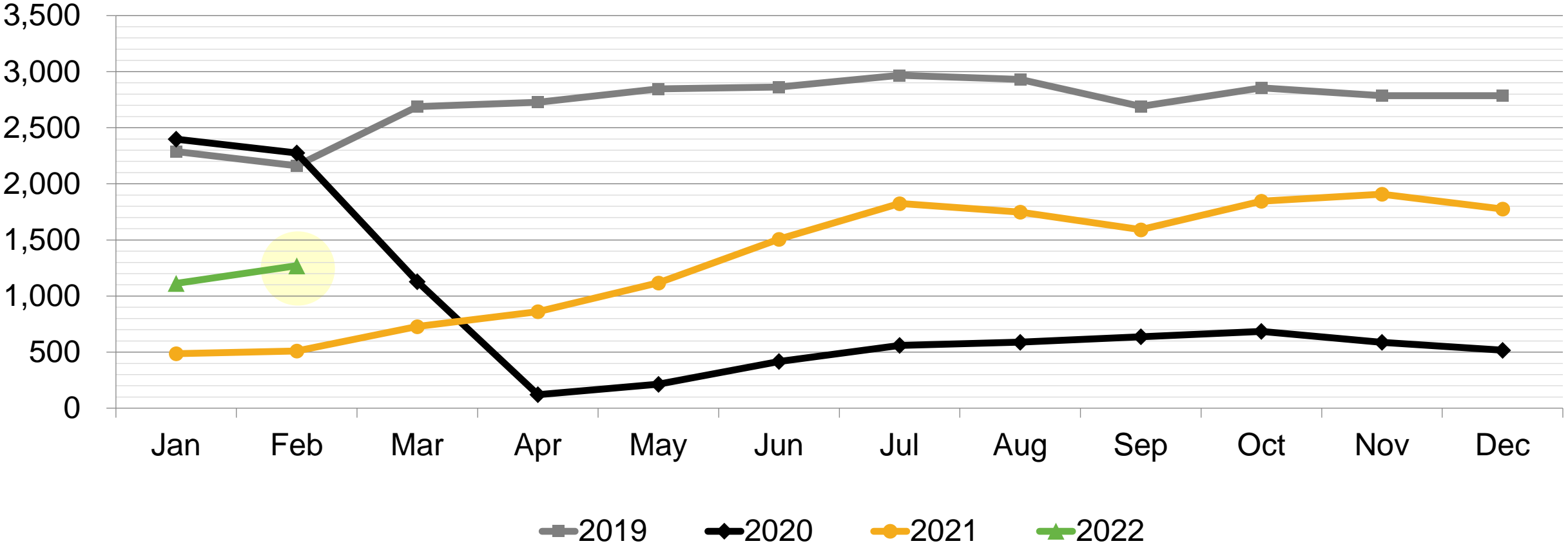
## Ratings Actions Reflect Assessment of Financial Condition and Risk



Source: Standard & Poor's issuer ratings for publicly traded U.S. and Canadian carriers in its coverage universe

# Ridership on Amtrak Remains Far Below Pre-Pandemic Levels

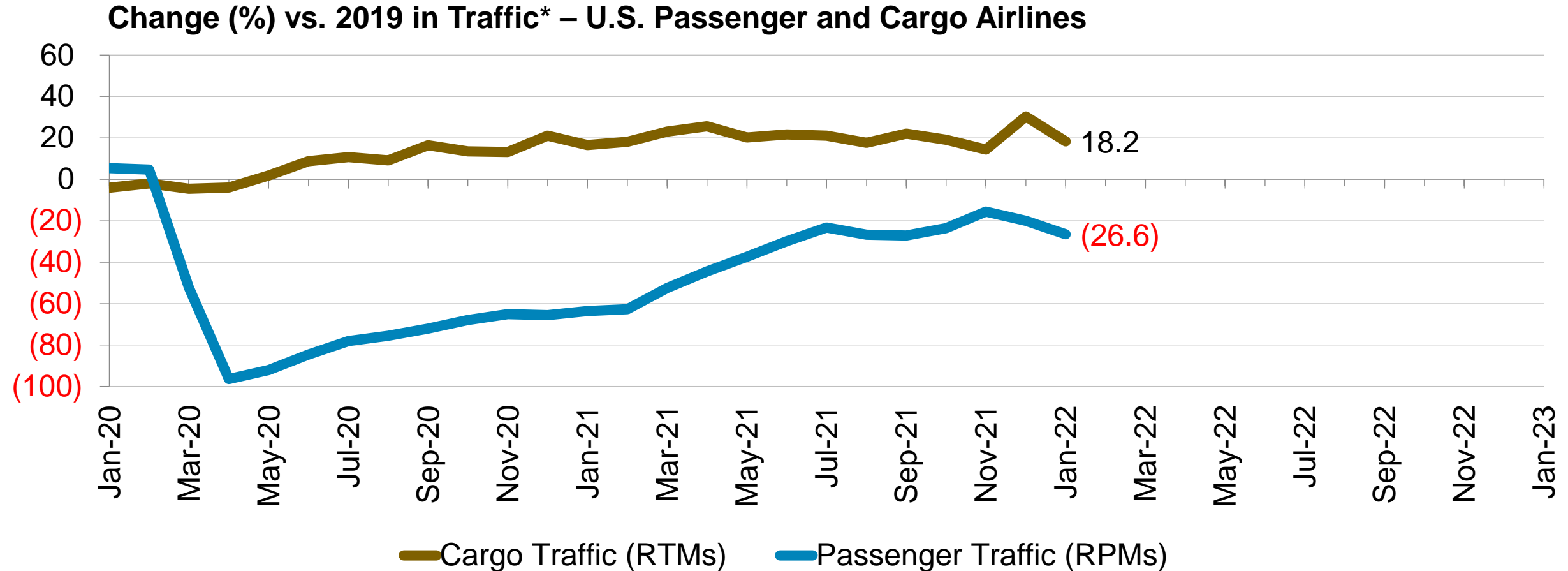
Amtrak Monthly Ridership (000s)



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

## 2021 vs. 2019: Cargo Traffic Rose 21%, Passenger Traffic Down 34%



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

# After a Material Hit From the Pandemic, U.S. Airline Employment Is Bouncing Back

## Voluntary Reductions, Retirements, Job Changes, Employer Shutdowns Had Taken a Toll

<b>Carrier Universe</b>	<b>Scheduled U.S. Passenger Airlines Only FTEs* (000)</b>	<b>All U.S. Passenger and Cargo Airlines Headcount (000)</b>
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
Pandemic Low Point	Nov-2020: 364.5	Oct-2020: 669.2
Latest Available Data Point	Mar-2022: 440.5	Mar-2022: 745.8

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

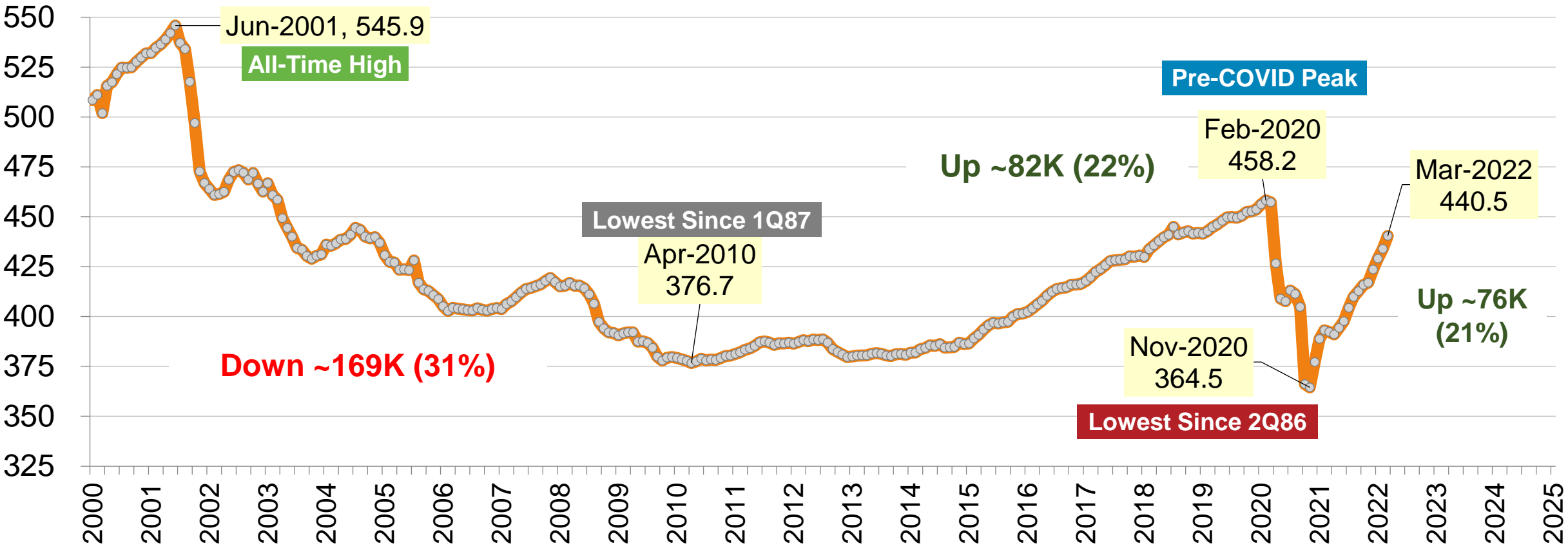
\* Full-time equivalents (FTE) = full-time workers plus 0.5 \* part-time workers



# As of March, U.S. Passenger Airline Employment (FTEs) Fell Just 4% Below Pre-COVID Levels

From November 2020 to March 2022, FTEs Rose 21%

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

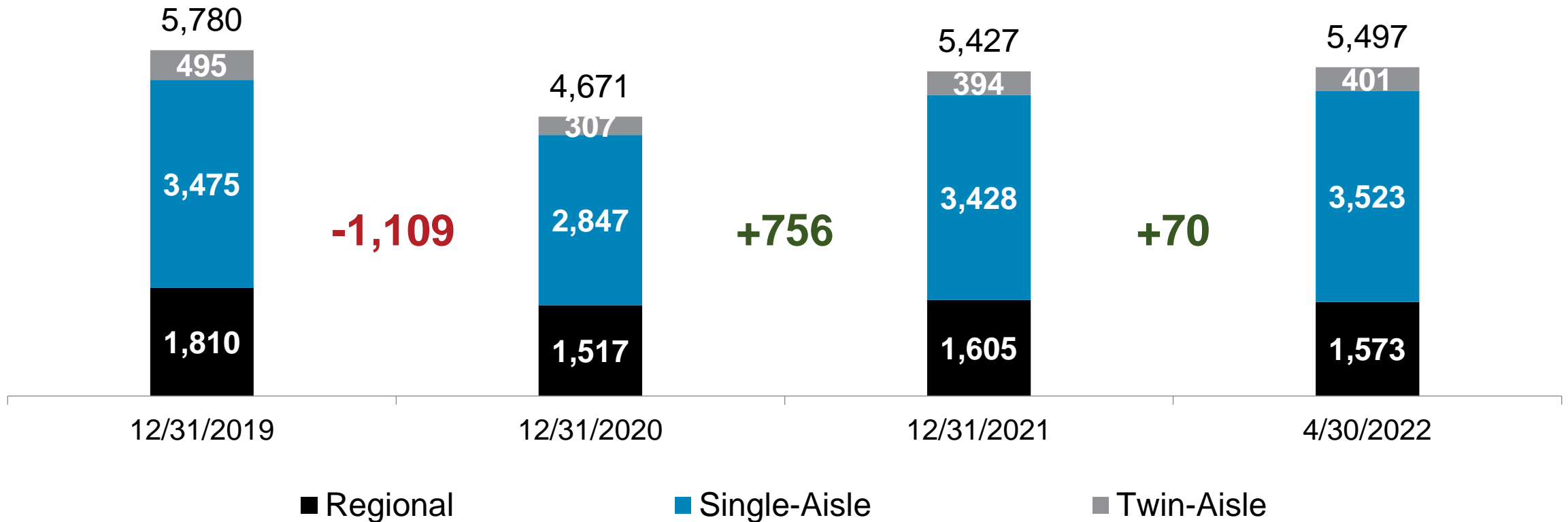


Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)

# U.S. Passenger Airlines Grew Active Fleet by 826 Units From End of 2020 to End of April

Net Reduction of 1,109 (19%) From YE19 to YE20 and 283 (5%) From YE19 to End of April

Number of Active Aircraft\*

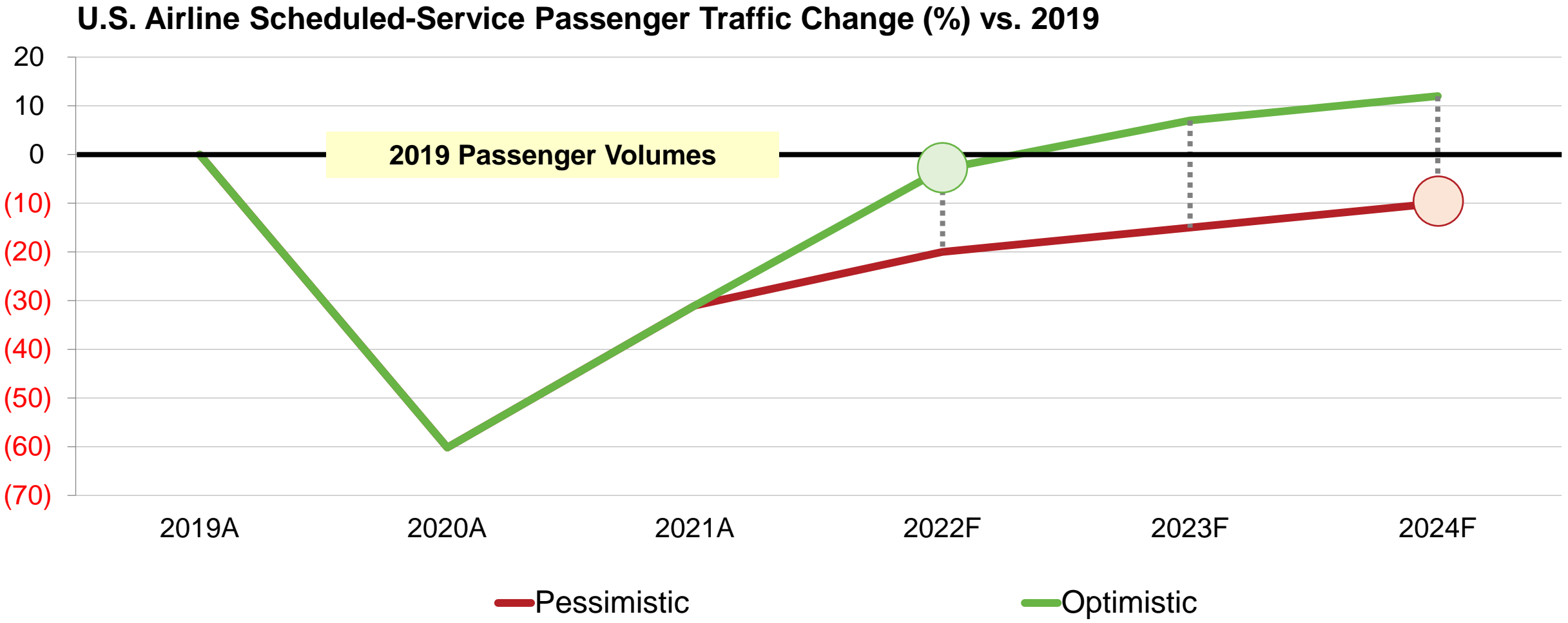


Source: Anuvu (formerly Global Eagle masFlight)

\* 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

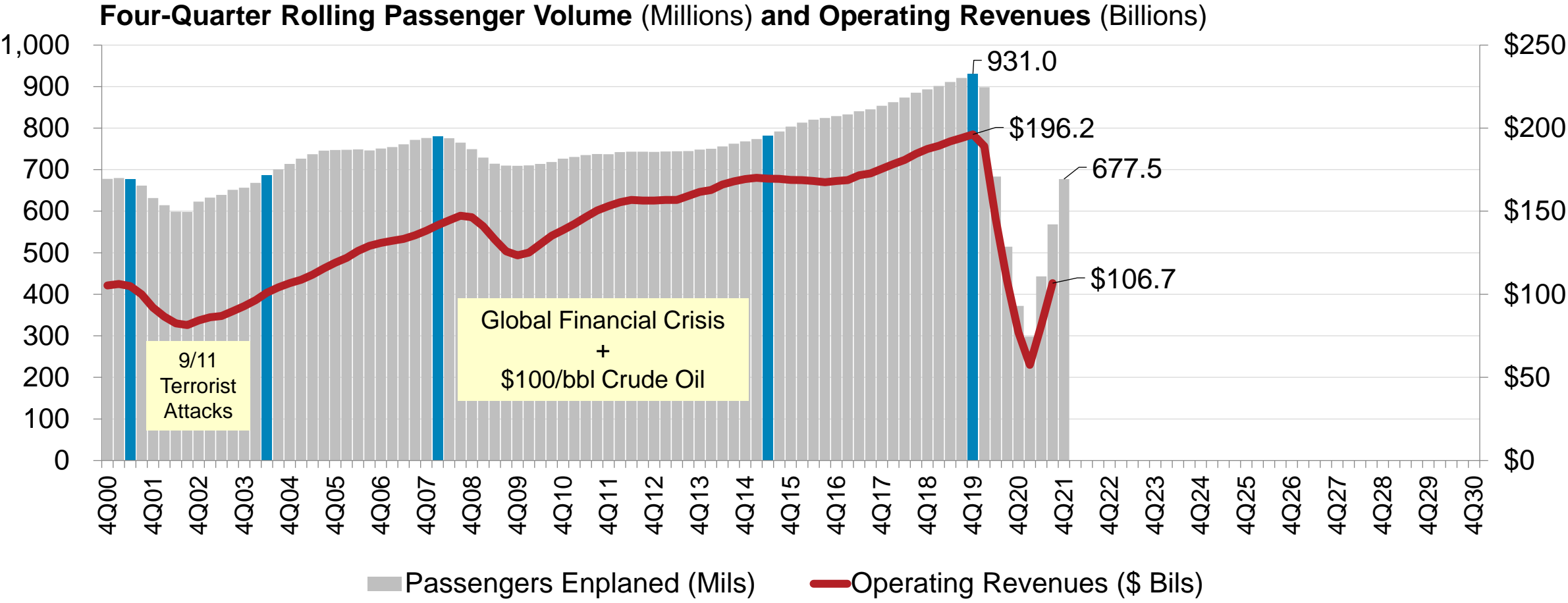


Source: A4A and various airline equity analysts

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)

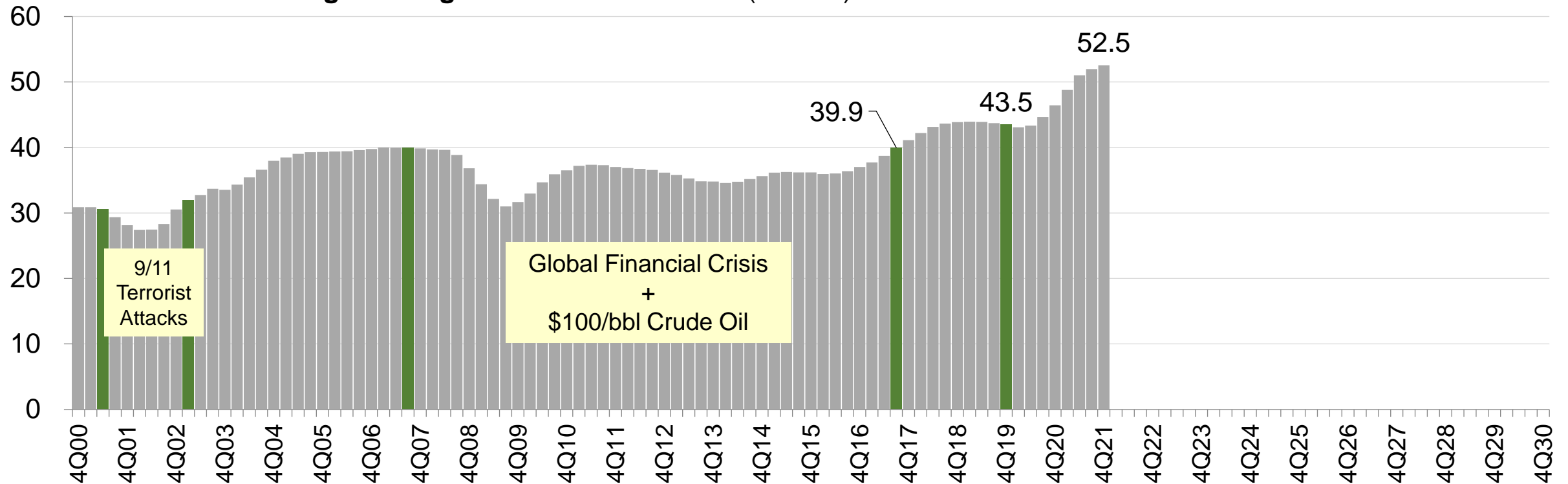
\* Passengers enplaned systemwide on U.S. airlines in scheduled and nonscheduled services

# Air-Cargo Demand Reached an All-Time High in 2021

## Air Cargo Had Taken 10 Years to Recover From the Global Financial Crisis and Subsequent Oil Spike

“A week ago, United Airlines carried 6 tons of black soap in the belly of a passenger plane, a product it has never seen before... Last summer, the carrier flew five dedicated cargo charters of dog food from Frankfurt...to Denver. United... said...that its passenger freighters also operated a charter flight full of mayonnaise and recently received a request to move 800 tons of Bacardi rum.” (FreightWaves, Jan. 19, 2022)

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)



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