



Airlines for America[®]

We Connect the World

Emerging From the Pandemic

Updated June 24, 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

- » 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 is poised to do so again 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. airlines are projected to post modest profits in 2022, which will be put to work to retire the massive debt accumulated in 2020-2021 to weather the pandemic.
- » Debt—and interest expense—will remain elevated through at least 2024.

A Multiyear, Multistage Recovery Is Underway

**Contain
the Virus**



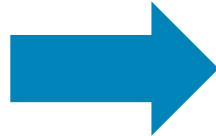
**Stabilize the
Economy**



**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**

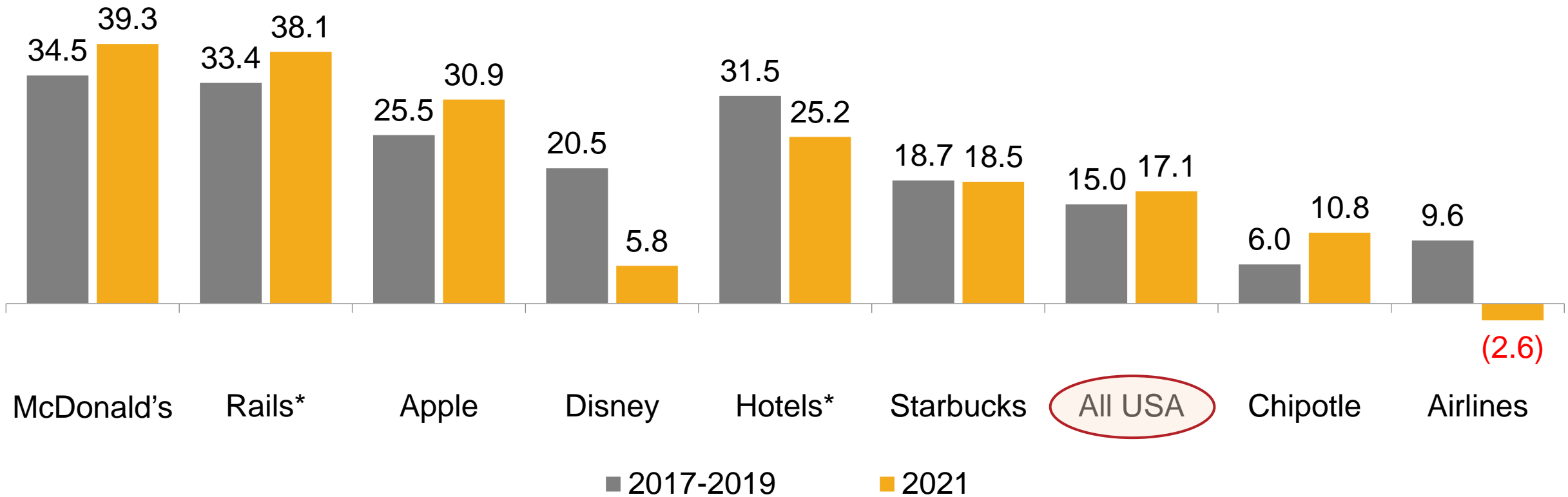


**Repair Balance
Sheets**

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 ¹	4.3	45	11.8
Total operating revenues	36.5	(13)	100.0
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 ²	2.4	5	5.8
Other ³	11.5	105	27.7
Total operating expenses	41.6	6	100.0
Interest and other non-op expenses, net	1.5	252	n/a
Pre-tax income/(loss)	(6.6)	n/a	n/a

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.

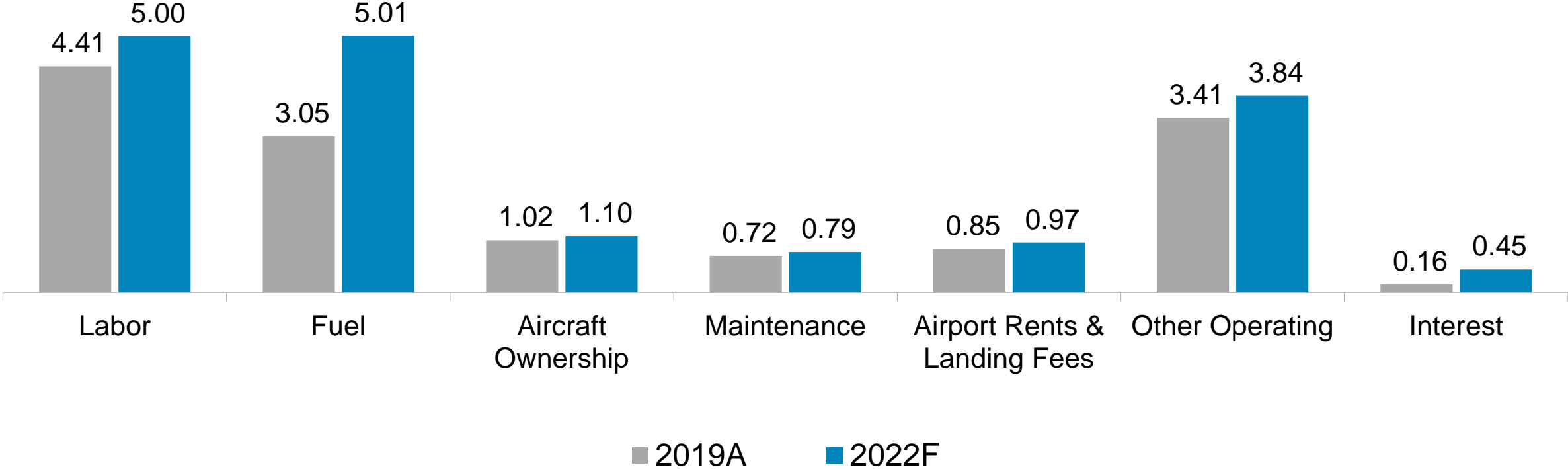
3. Aircraft rents, professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regional carriers, etc.

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

In 2022, Airlines' Unit Operating Costs Are Expected to Average 24% More Than in 2019

Additionally, Interest Expense per Seat-Mile Is Projected to Rise 185%

U.S. Passenger Airlines: Cost (in Cents) per Available Seat Mile



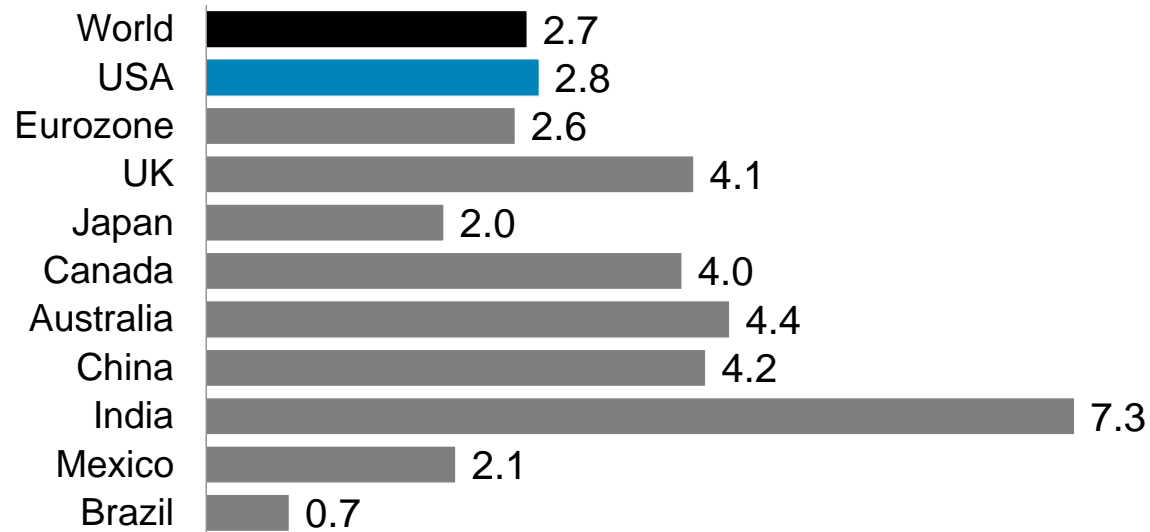
Source: A4A, Wolfe Research and filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

Per Wells Fargo, the *Global* Economy Will Grow 2.7% in 2022

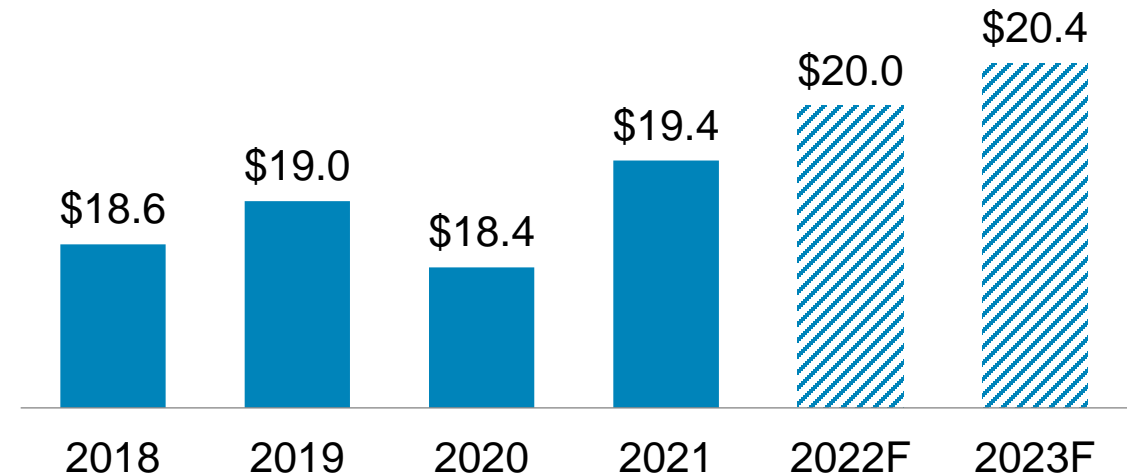
The U.S. Economy Is Projected to Grow Just 2.8%

“We still expect the economy to expand, albeit slowly, over the next two years. While a recession is not in our baseline forecast, the odds of a sustained economic downturn by the end of next year have climbed to roughly 40% in our estimation.” (Wells Fargo, June 8, 2022)

Projected 2022 Real GDP Growth (%)



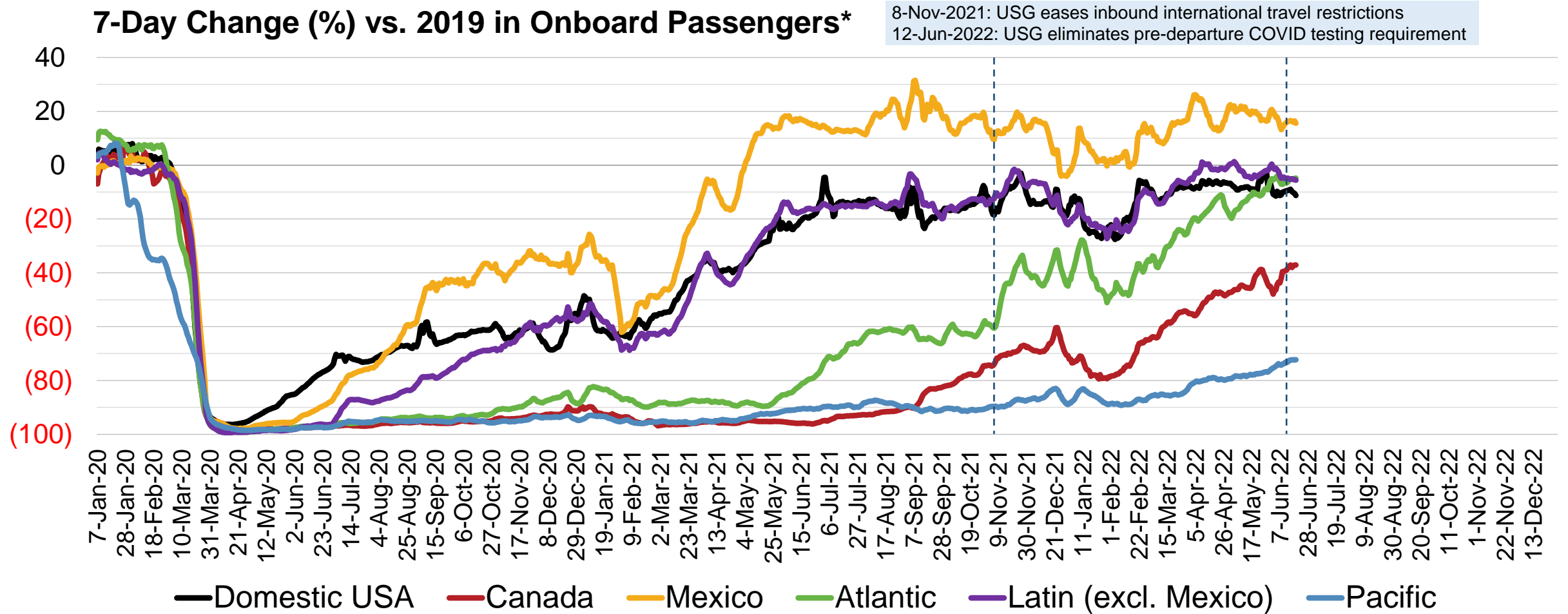
U.S. Real GDP (Trillions, \$2012)



Source: Wells Fargo Securities (June 8, 2022) and U.S. Bureau of Economic Analysis

Jun 13-19: A4A Member Airline Passenger Volumes Were 11% Below 2019 Levels

Domestic Air Travel Down 11%, International Air Travel Down 13%

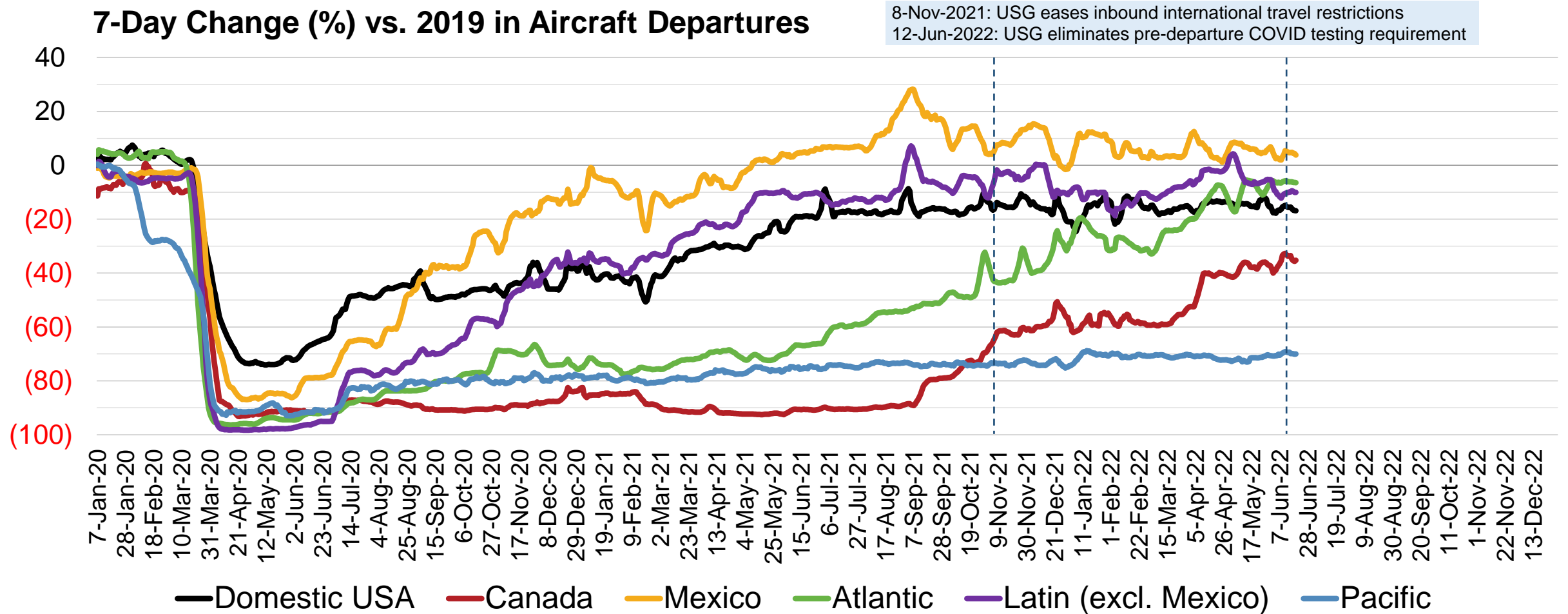


Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

* Onboard ("segment") passengers

Jun 13-19: A4A Member Airline Departures Were 17% Below 2019 Levels

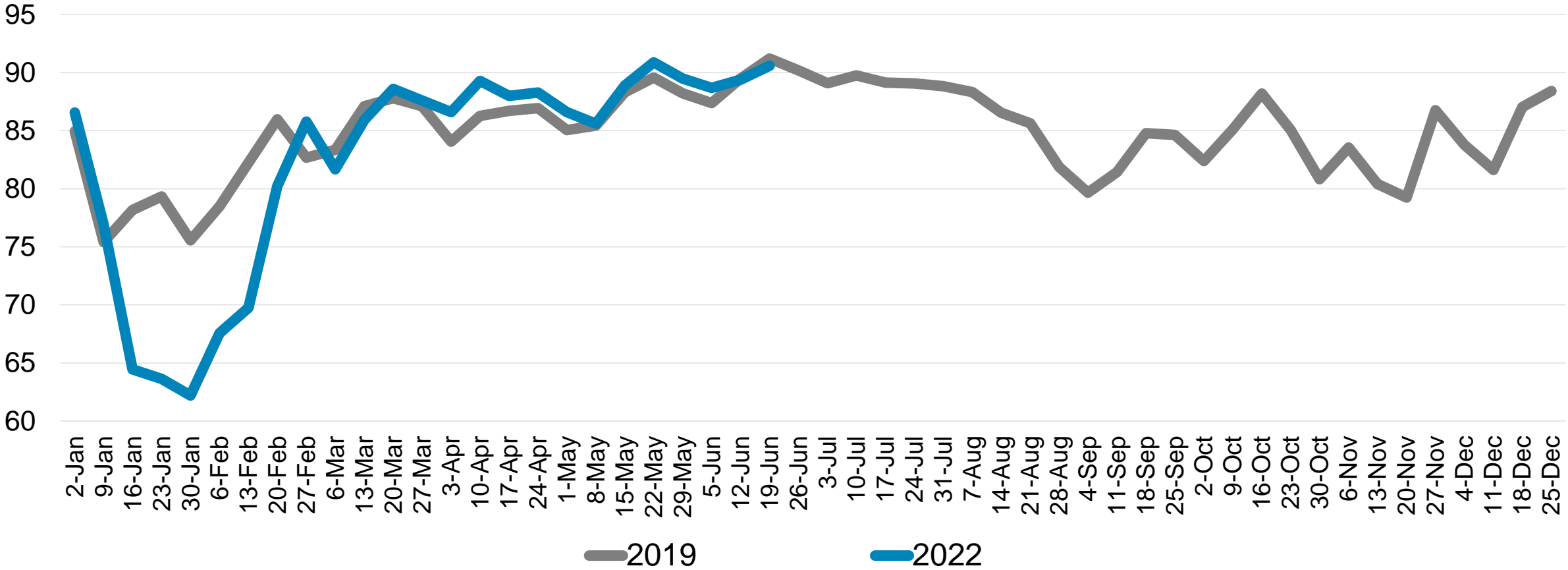
Domestic Flights Operated Down 17%, International Flights Operated Down 16%



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 in Line With Pre-Pandemic Levels

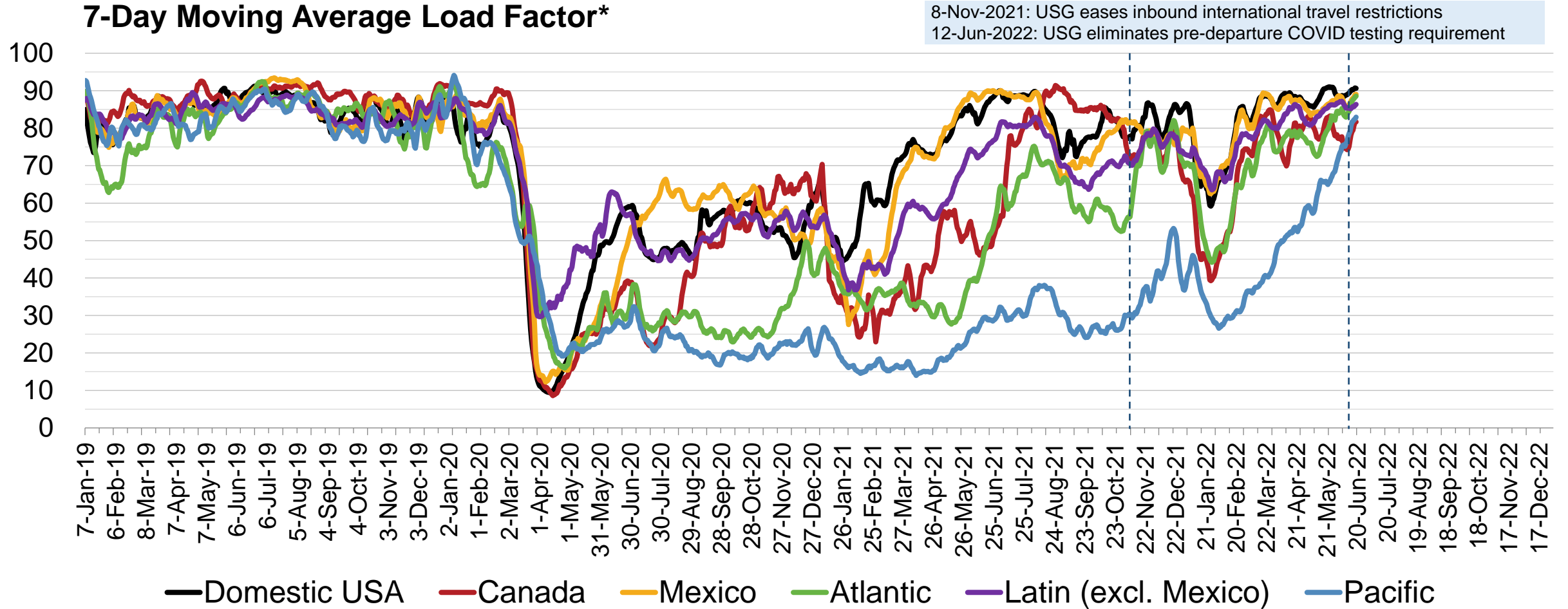
Weekly Average Domestic U.S. Load Factor* (%)



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

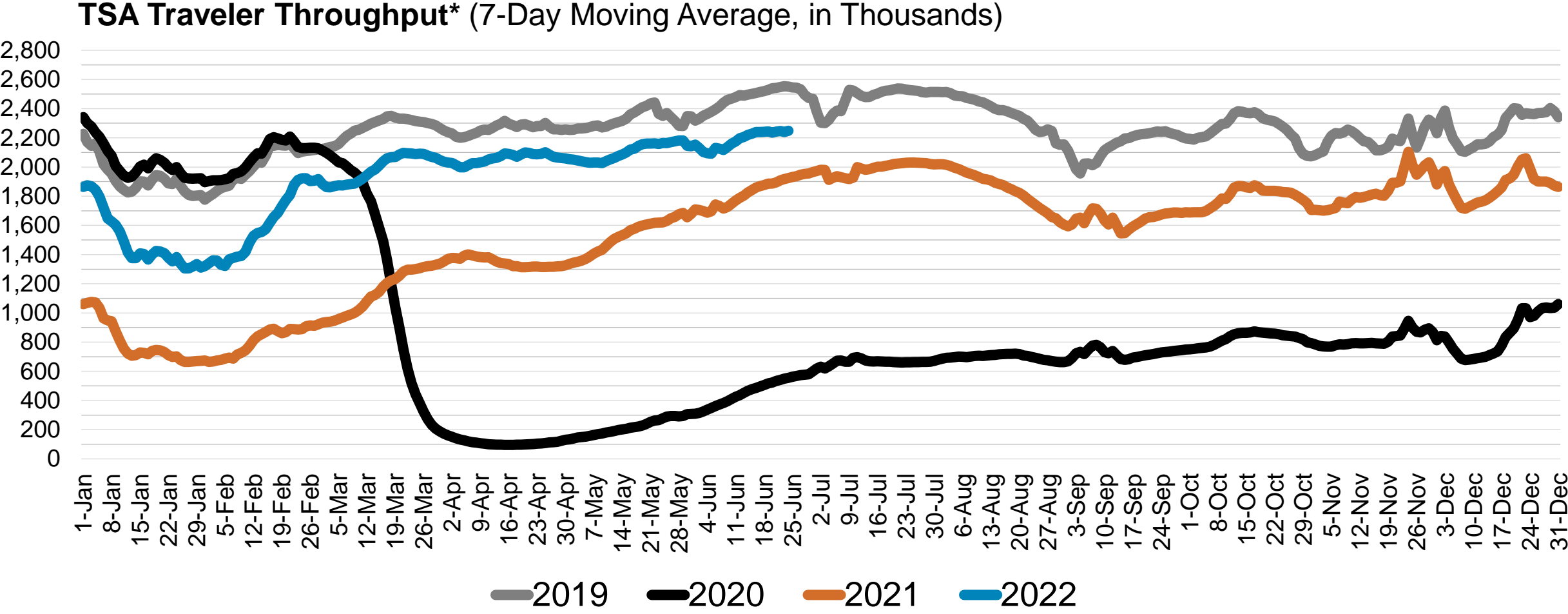
Transpacific Flights Continue to See Sharp Uptick in Load Factors



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

* Traffic (RPMs) divided by capacity (ASMs)

In Week Ending June 23, TSA Checkpoint Volumes Fell 12% Below 2019 Levels

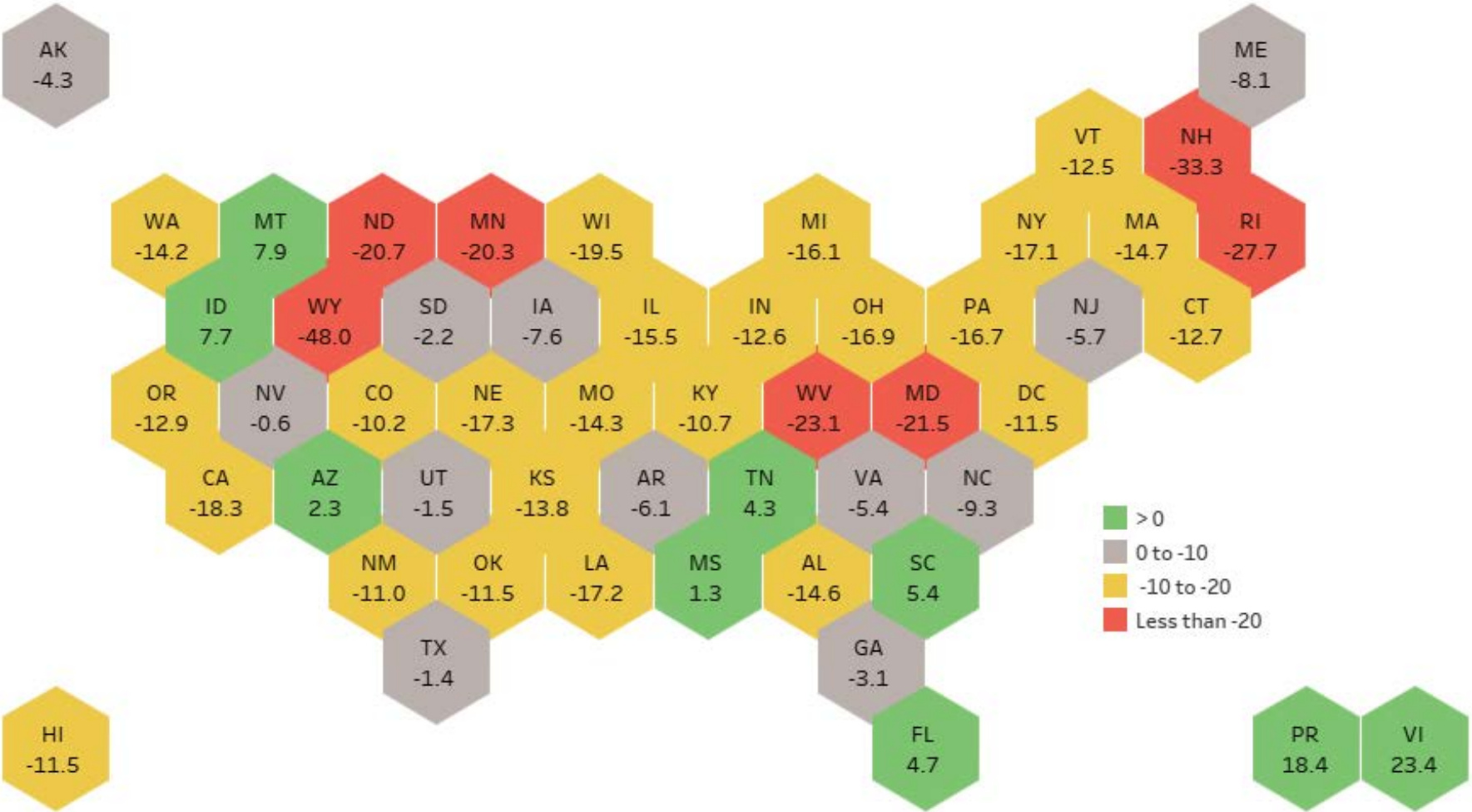


Source: Transportation Security Administration

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

In May, Demand Exceeded 2019 Levels in Nine U.S. States and Territories

Change (%) in TSA Traveler Throughput — May 2022 vs. May 2019

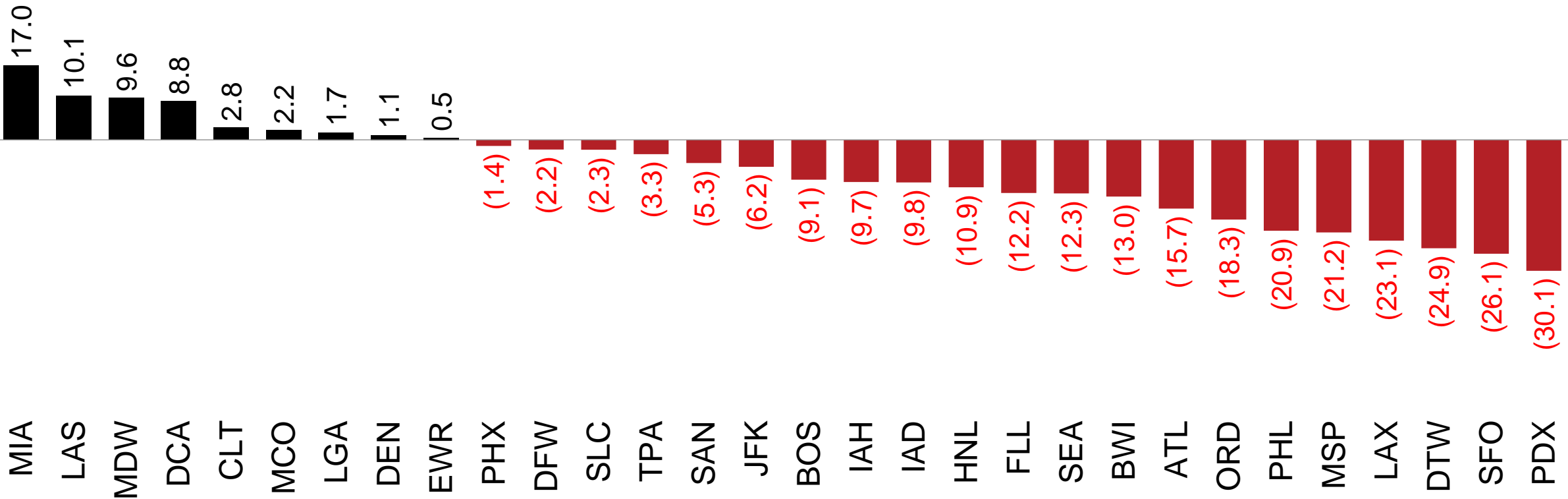


Source: Transportation Security Administration

Nine of the 30 Largest U.S. Airports Are Scheduled to See More Seats This Summer Than in 2019

Miami Leading the Pack in Growth; Portland Seeing the Largest Decline

Change (%) in Systemwide Scheduled Seats: Summer* 2022 vs. 2019



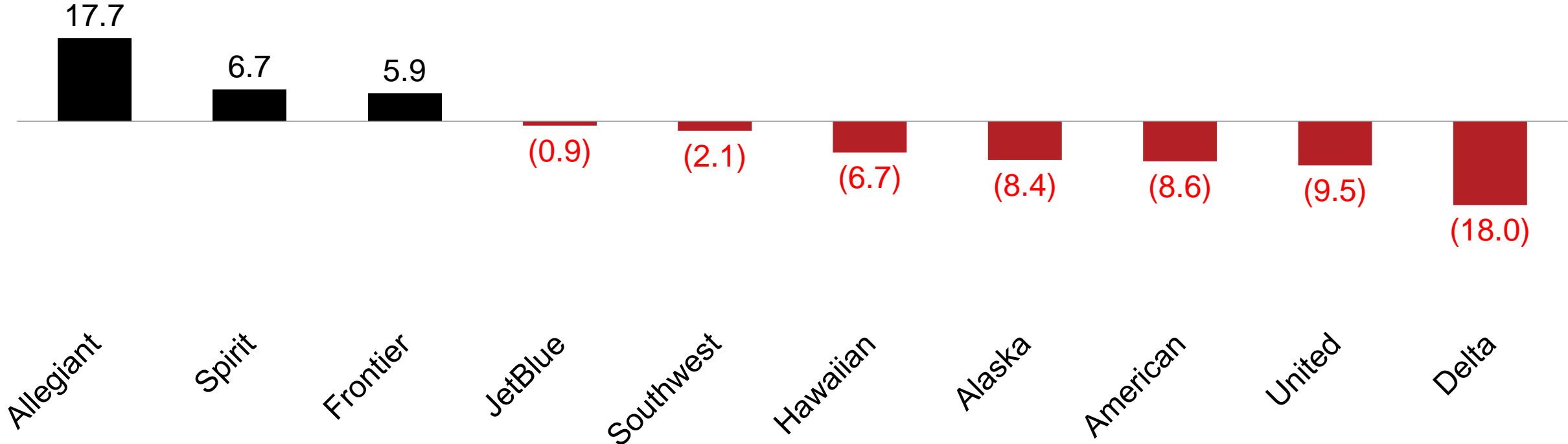
Source: Diio by Cirium published schedules (June 17, 2022) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

* June 1-August 31

Allegiant, Spirit and Frontier Continue to Lead U.S. Airlines in Capacity Growth

Corporate Travel-Dependent Carriers Slower to Restore Pandemic-Induced Capacity Cuts

Change (%) in Systemwide Scheduled Available Seat Miles: Summer* 2022 vs. 2019

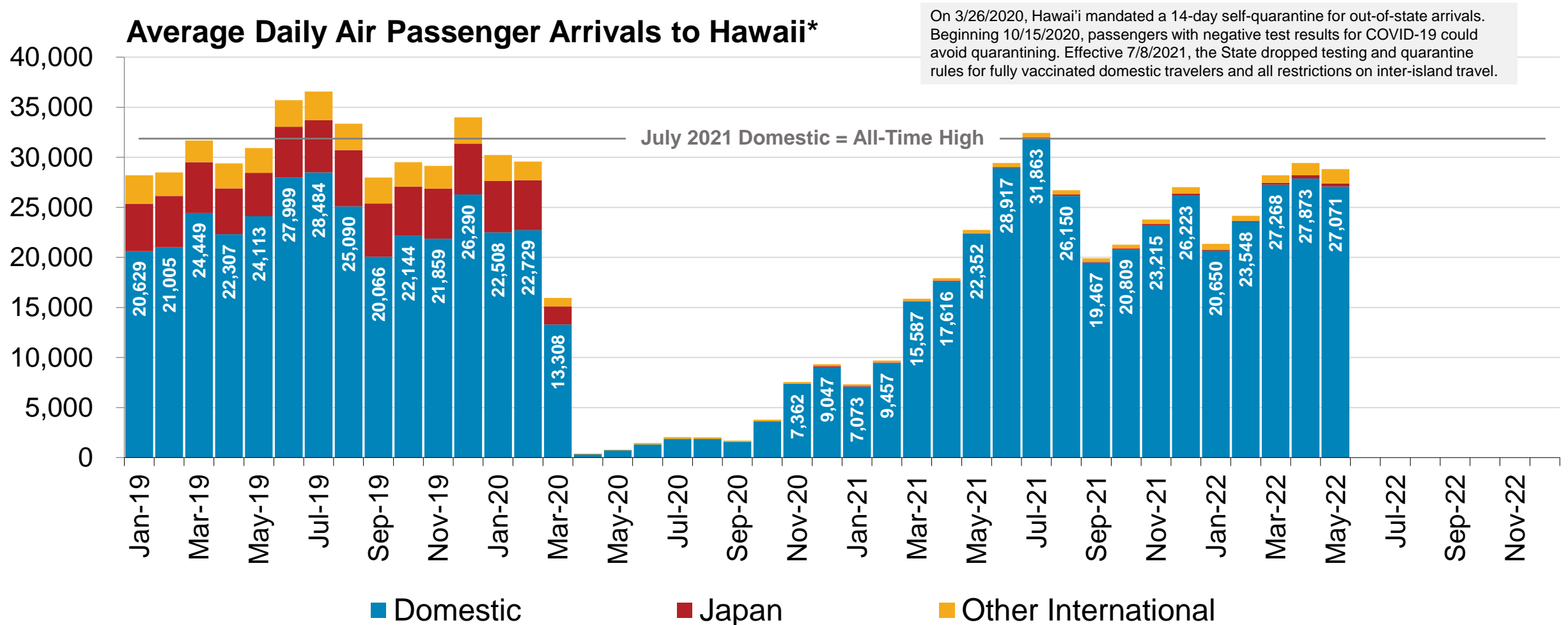


Source: Dii by Cirium published schedules (June 17, 2022) for selected marketing airlines (i.e., on a consolidated basis)

* June 1-August 31

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

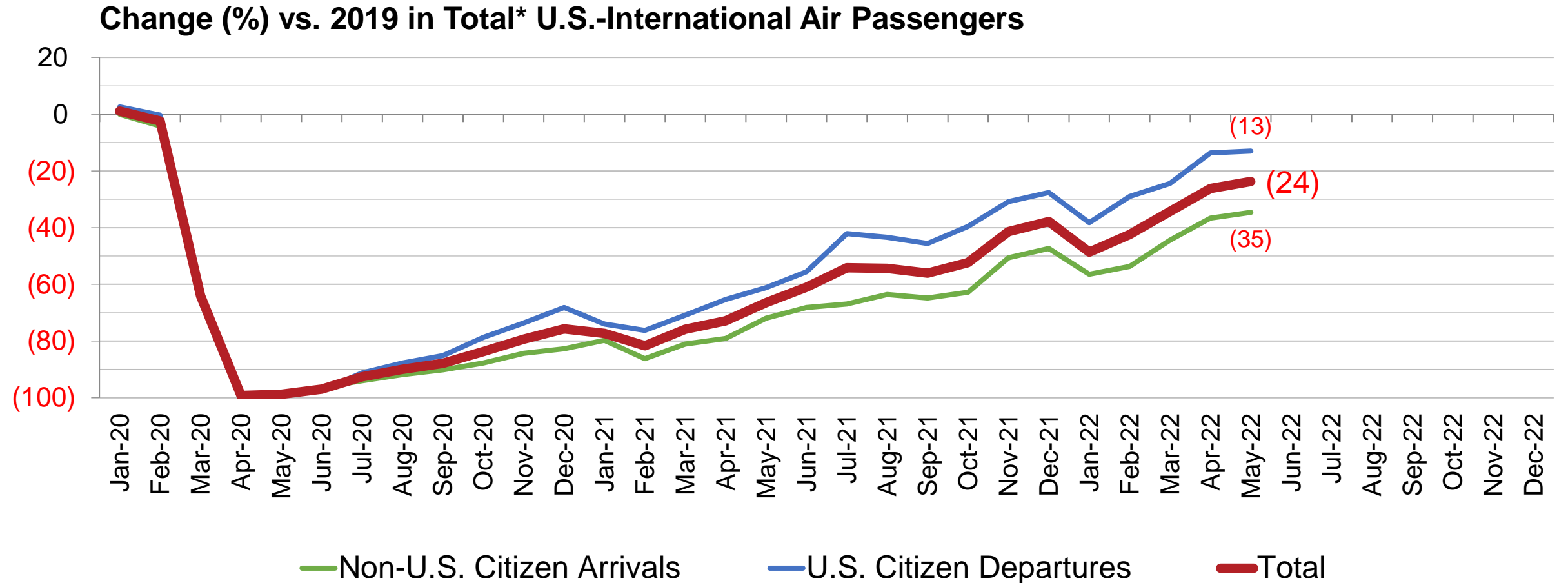


Source: Hawaii Department of Business, Economic Development & Tourism

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

In May 2022, U.S.-International Air Travel* Fell 24% Below 2019 Levels

Non-U.S. Citizen Arrivals Trailed U.S. Citizen Departures by ~22 Percentage Points



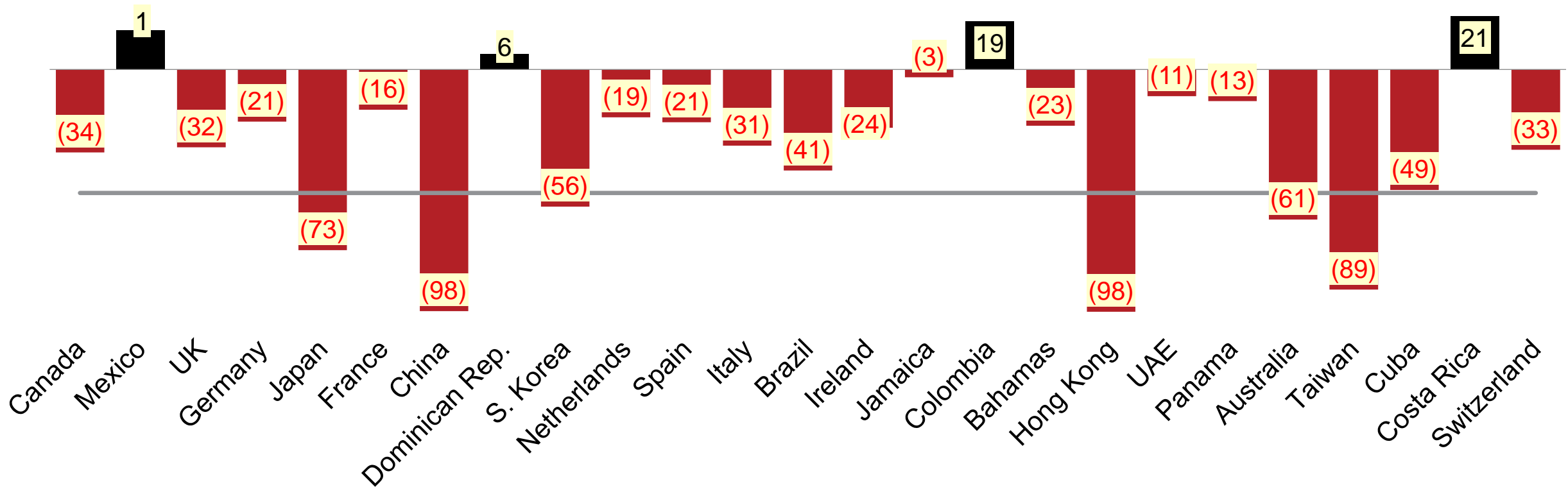
Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data

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

In May, U.S.-Asia/Australia Air Travel Trailed Pre-Pandemic Levels by More Than 50%

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

Top-25 U.S. Country Pairs: Change (%) in Passengers* in May-2022 vs. May-2019
Sorted left to right by highest volume in 2019

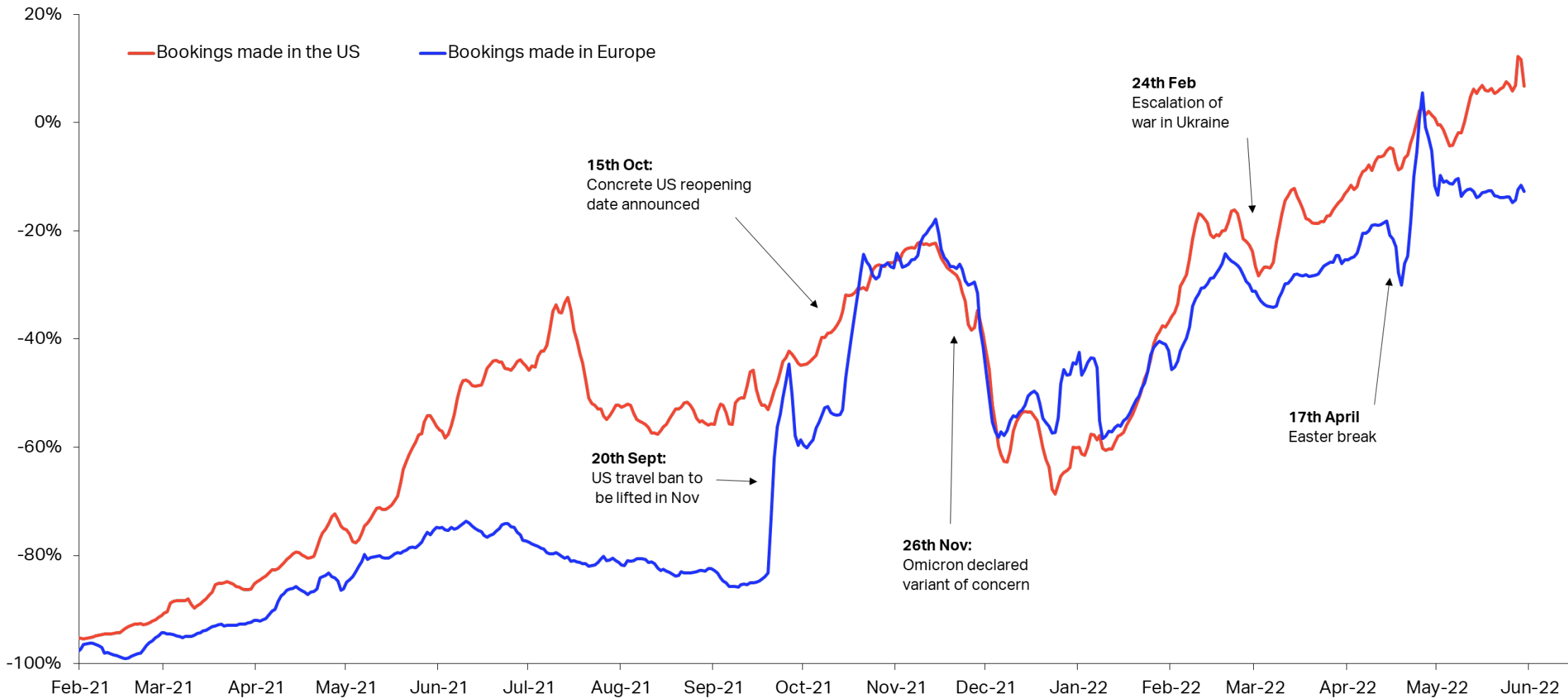


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

* 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

Change in Seven-Day Moving Average Bookings for U.S.-Europe Air Travel vs. 2019

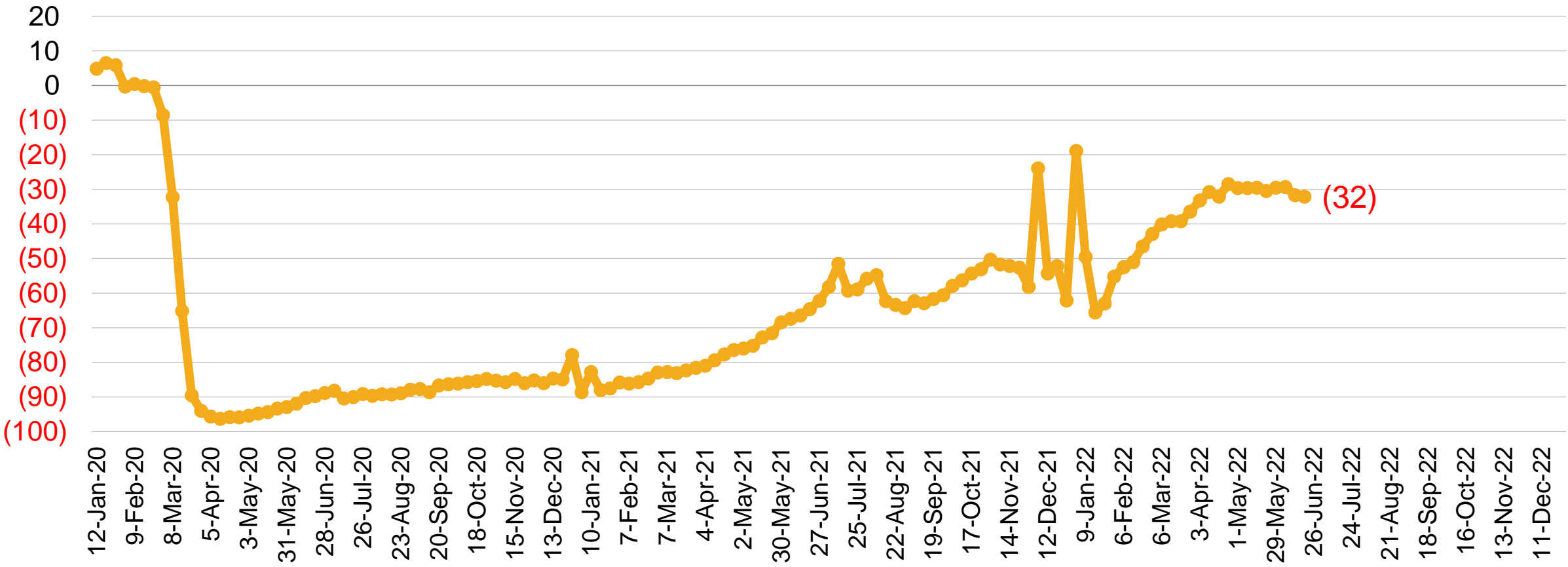


Source: IATA Economics (<https://www.iata.org/en/publications/economics/#>) as of June 17, 2022

Growth in “Corporate” Ticket Sales Has Plateaued Over the Past Few Months

Levels Remain Approximately 30% Below 2019

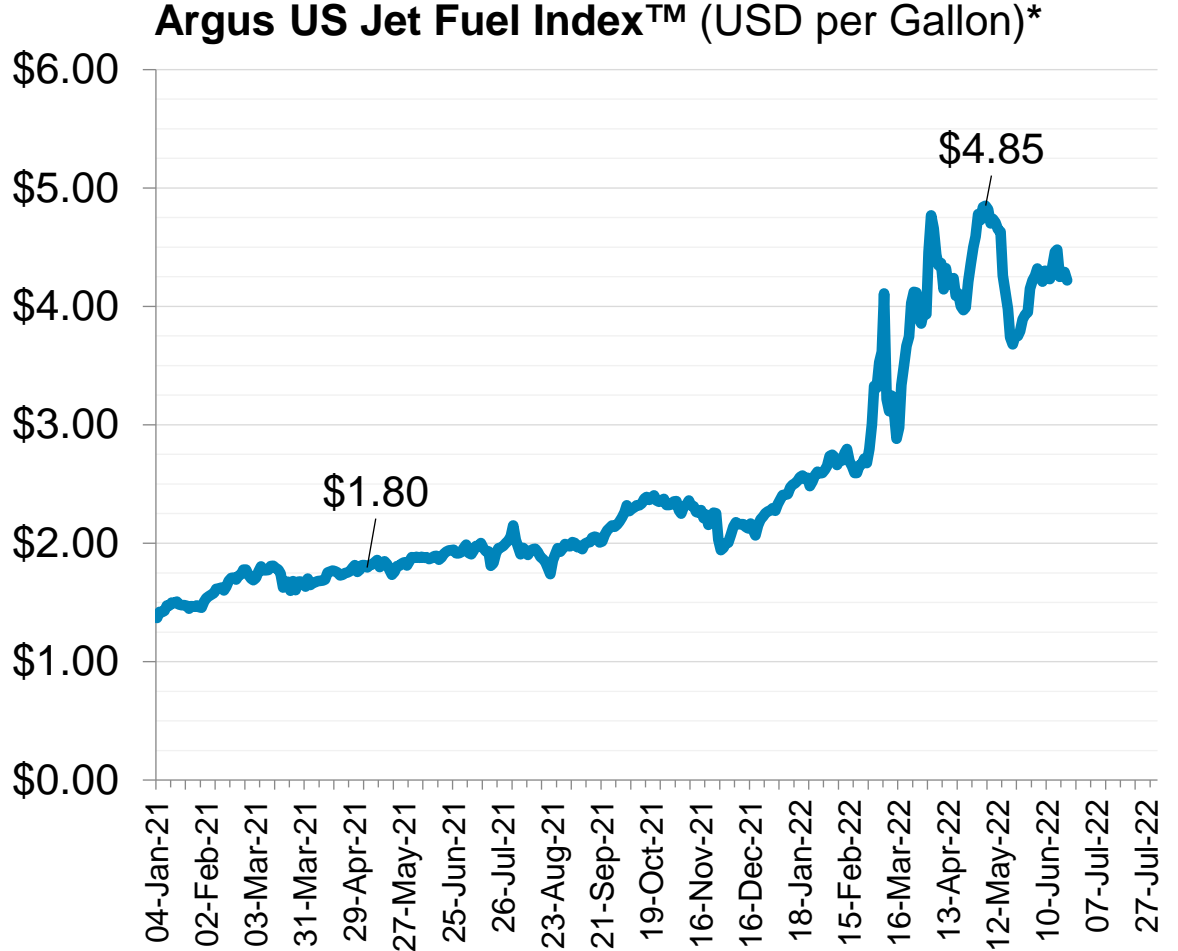
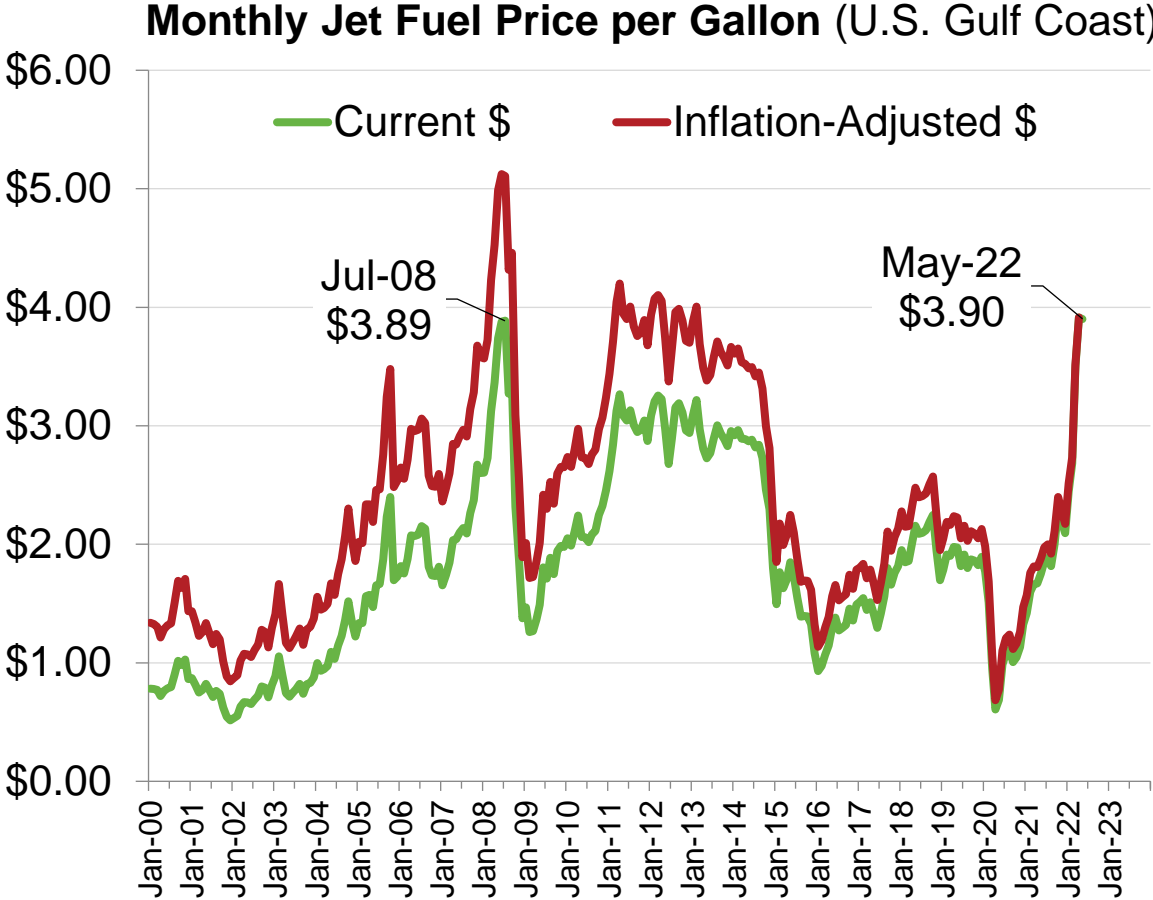
Change (%) vs. 2019 in Corporate-Segment Weekly Tickets Sold* by U.S. Travel Agencies



Source: Airlines Reporting Corporation (ARC)

* Results reflect more than 10,000 agency sales outlets and do not include sales of tickets purchased directly from airlines and are not net of refunds or exchanges.

Jet Fuel Prices Have Proven a Fierce Cost Headwind Thus Far in 2022



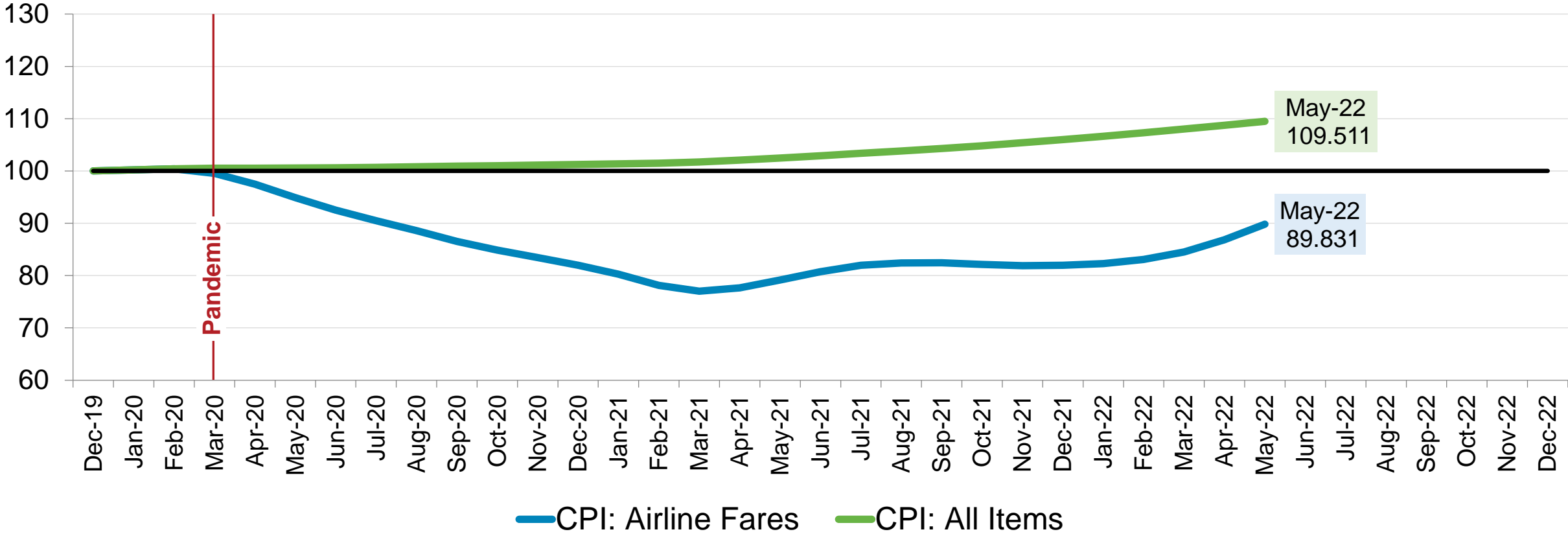
Sources: U.S. Energy Information Administration (left chart) and Argus Media (right chart)

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

In the 12 Months Ending May 2022, CPI for Airline Fares *Fell* 10% Below CY2019

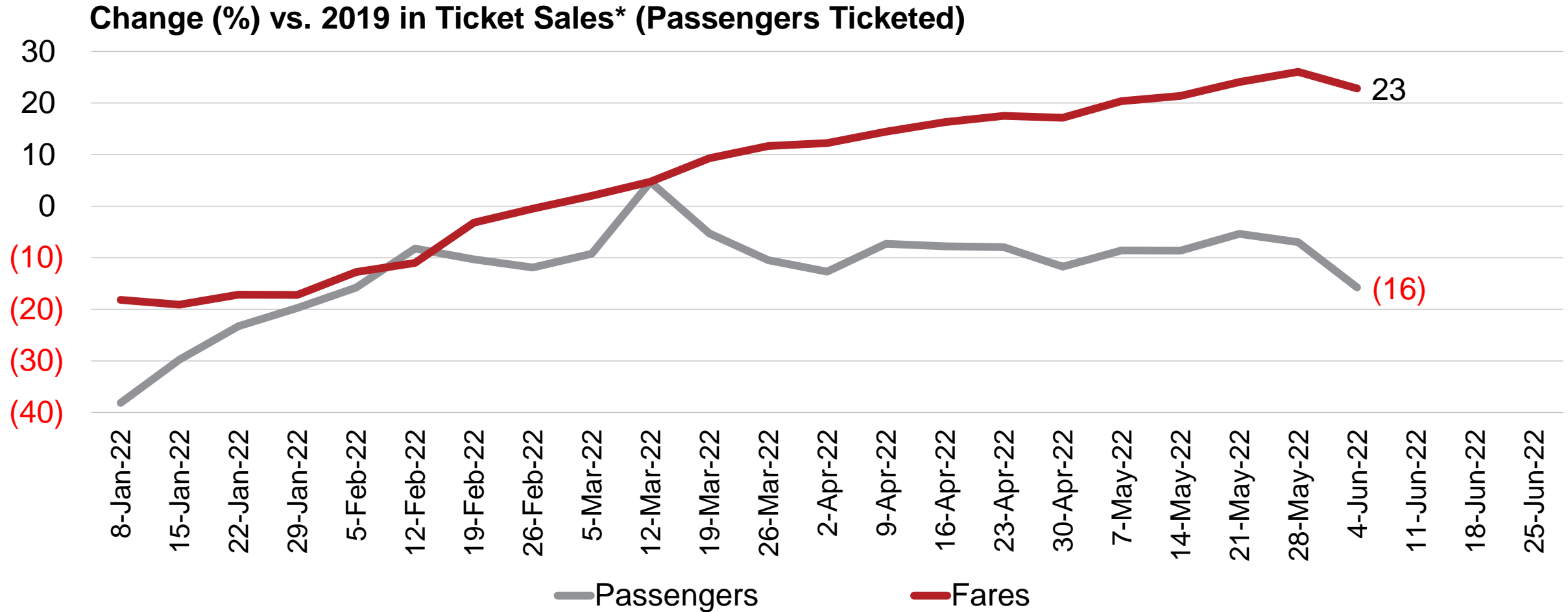
In Contrast, Overall U.S. Consumer Prices for That Period *Rose* 10% From CY2019

U.S. Consumer Price Index (CPI) — Airline Fares vs. All Items (Index: 2019 = 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>

In the Week Ending June 4, Airlines Ticketed 16% Fewer Passengers Than They Did in 2019 But Fares Sold for Domestic and International Trips Averaged 23% More Than in 2019

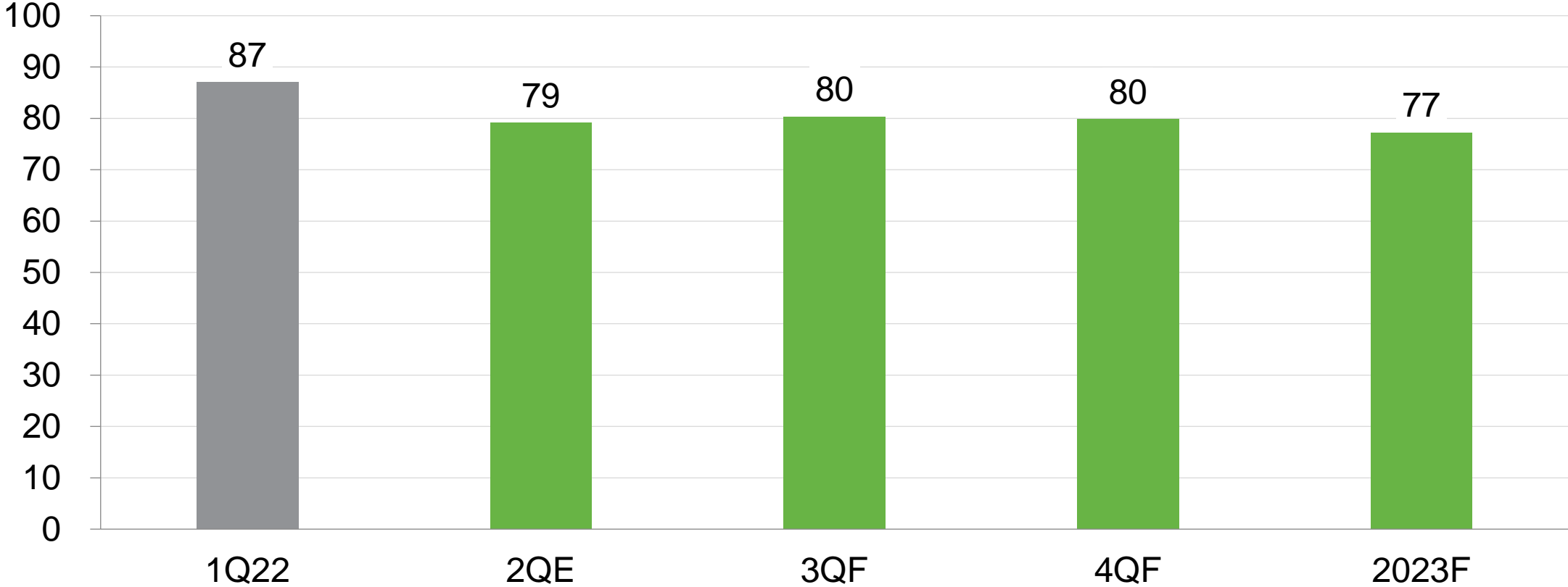


Source: A4A analysis of data from Airlines Reporting Corporation (ARC)

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

The Estimated Breakeven Load Factor Requirement for the Second Half of 2022 Is 80%

Breakeven Load Factor (%) Requirement



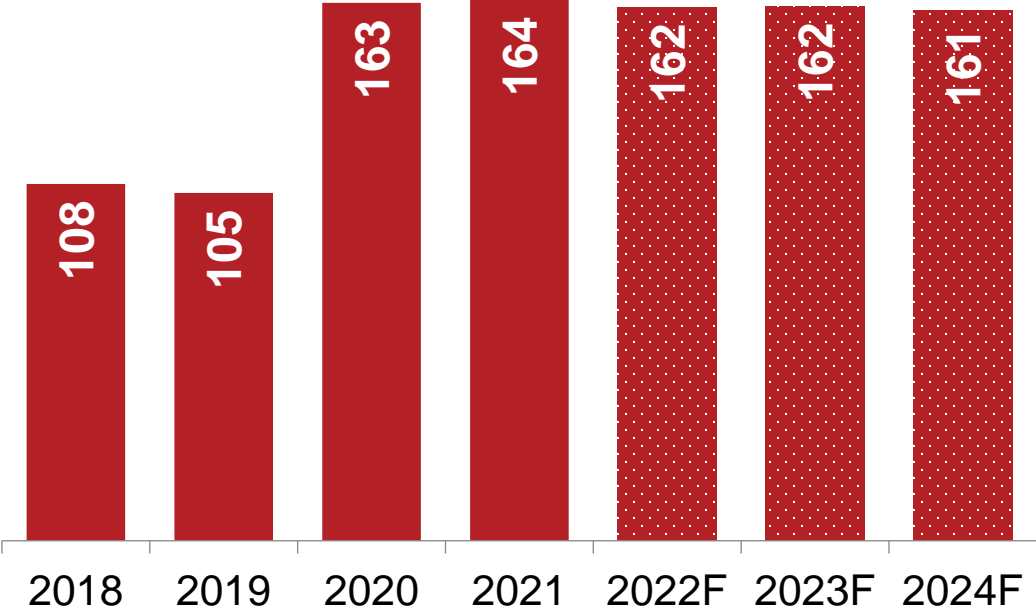
Sources: SEC filings of Alaska/Allegiant/American/Delta/Hawaiian/JetBlue/Southwest/Spirit/United and forecasts from various equity analysts

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

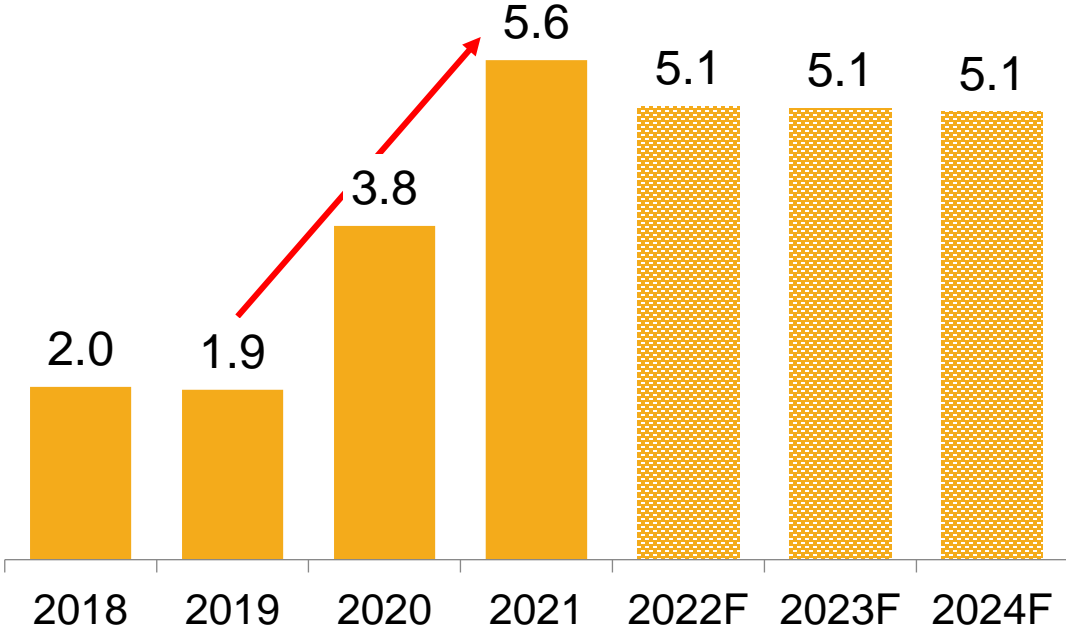
Net Interest Expense Tripled From 2019 to 2021 and Expected to Total \$15.3 Billion in 2022-2024

“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)



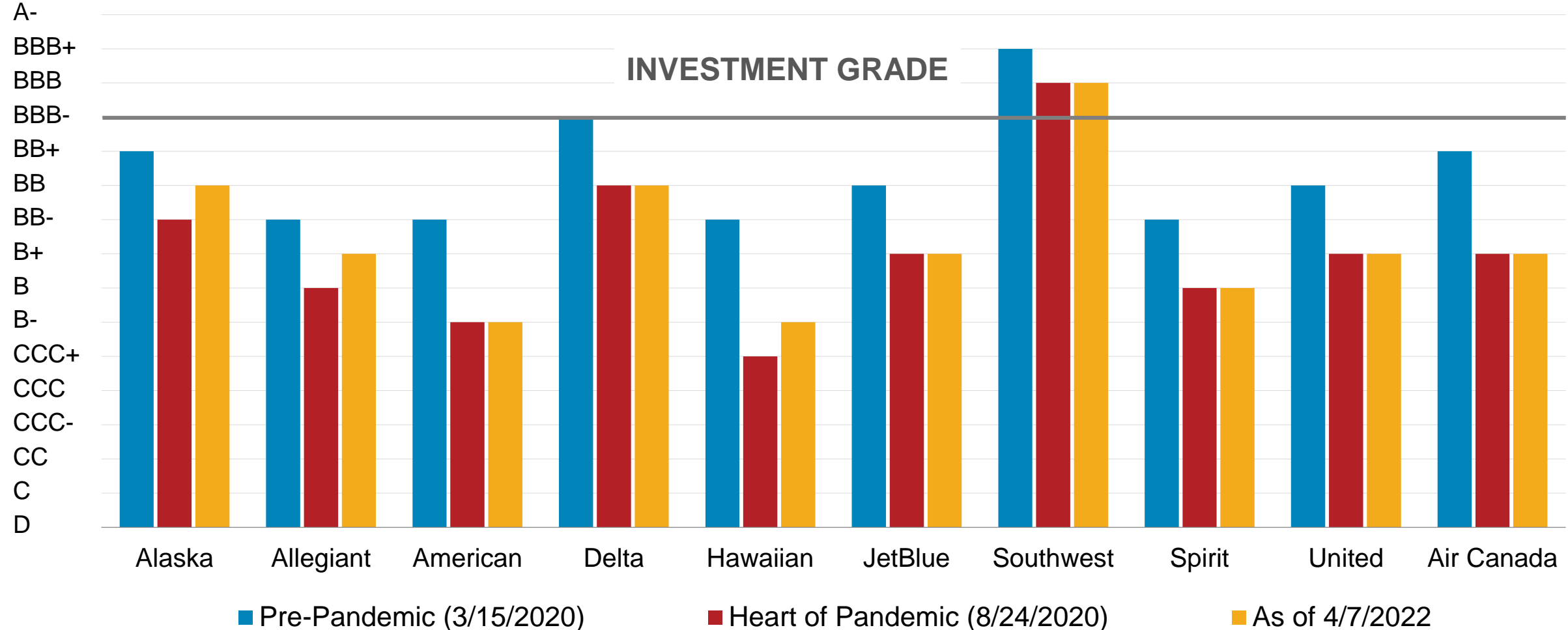
Interest Expense, Net (\$ Billions)



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

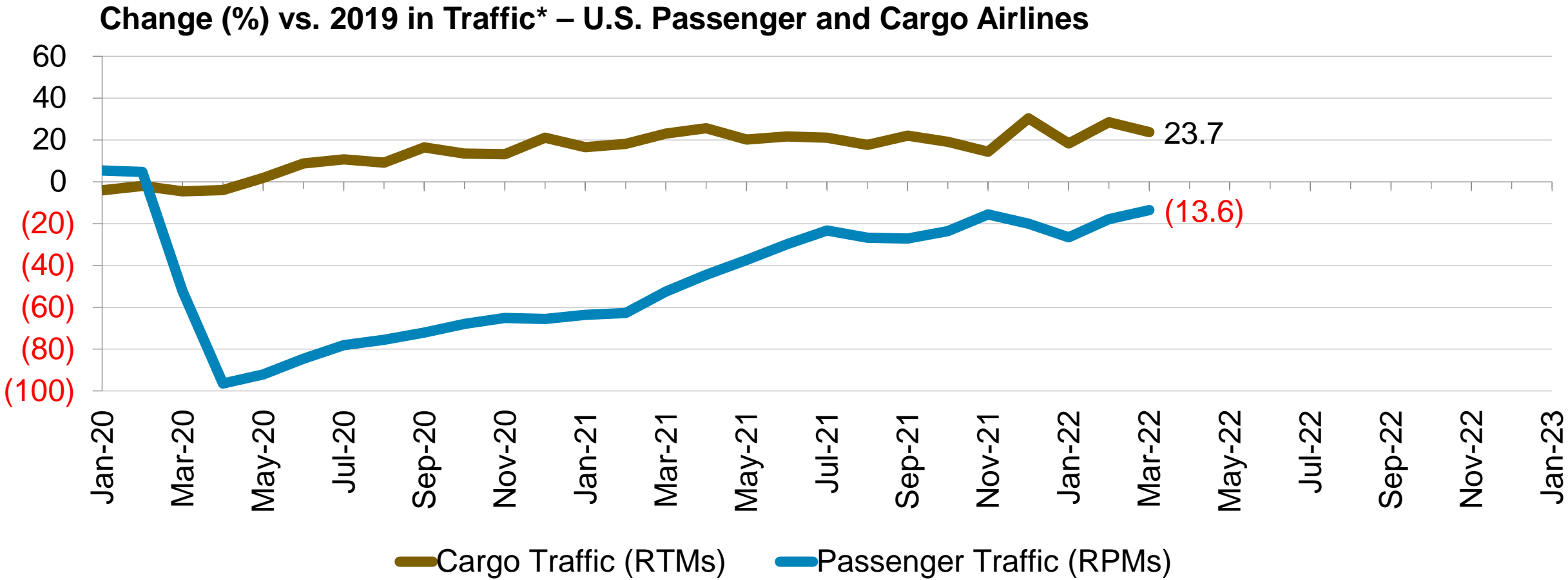
Ratings Actions Reflect Assessment of Financial Condition and Risk



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

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

1Q22 vs. 1Q19: Cargo Traffic Rose 23%, Passenger Traffic Down 19%



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

Carrier Universe	Scheduled U.S. Passenger Airlines Only FTEs* (000)	All U.S. Passenger and Cargo Airlines 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
Pandemic Low Point	Nov-2020: 364.5	Oct-2020: 669.2
Latest Available Data Point	Apr-2022: 445.6	Apr-2022: 751.2

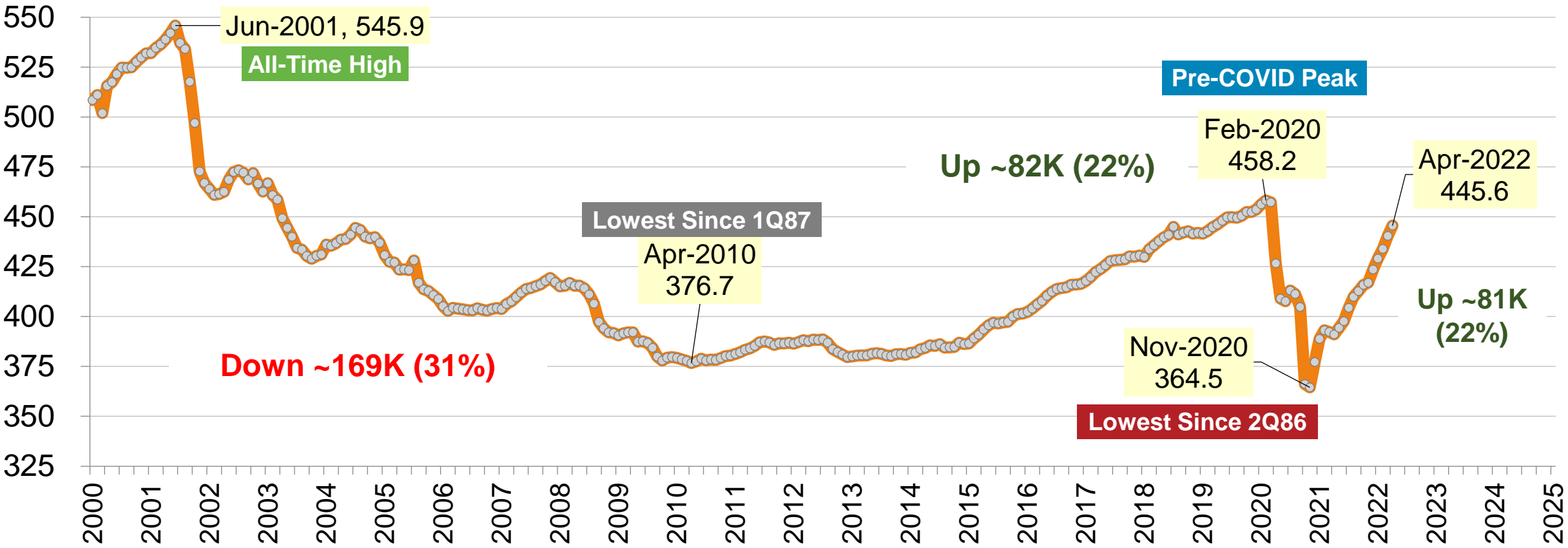
Source: Bureau of Transportation Statistics based on payroll near the 15th of the month

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

As of April, U.S. Passenger Airline Employment (FTEs) Fell Just 3% Below Pre-COVID Levels

From November 2020 to April 2022, FTEs Rose 22%

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

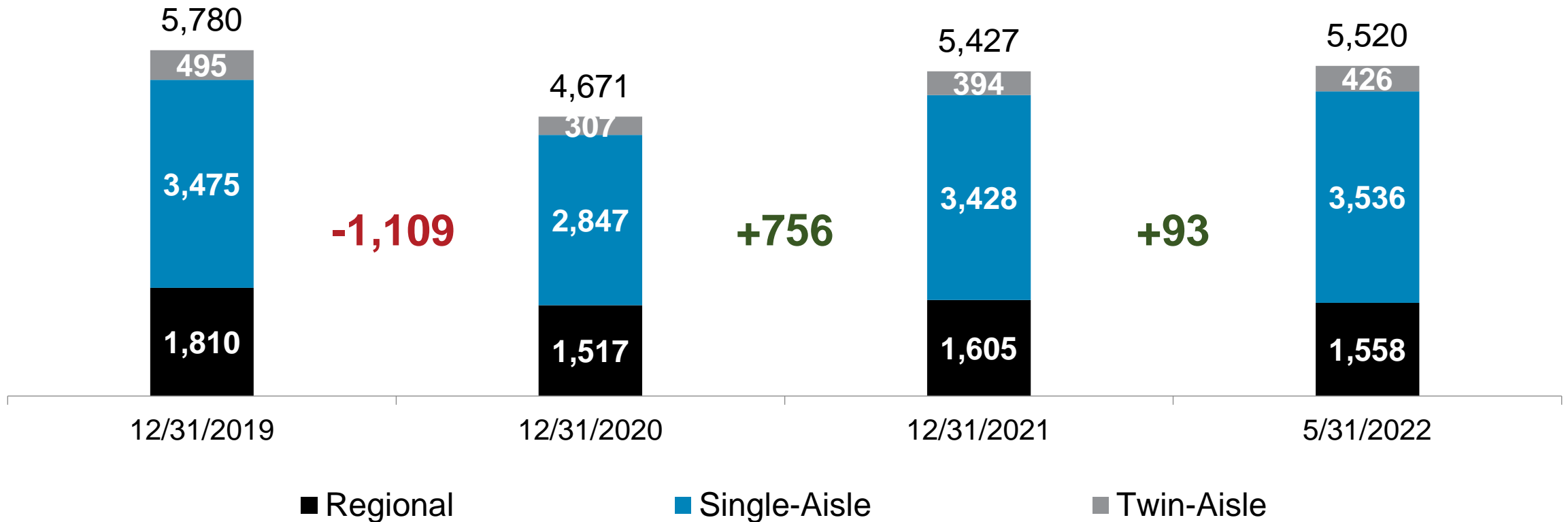


Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)

U.S. Passenger Airlines Grew Active Fleet by 849 Units From End of 2020 to End of May

Net Reduction of 1,109 (19%) From YE19 to YE20 and 260 (4%) From YE19 to End of May

Number of Active Aircraft*

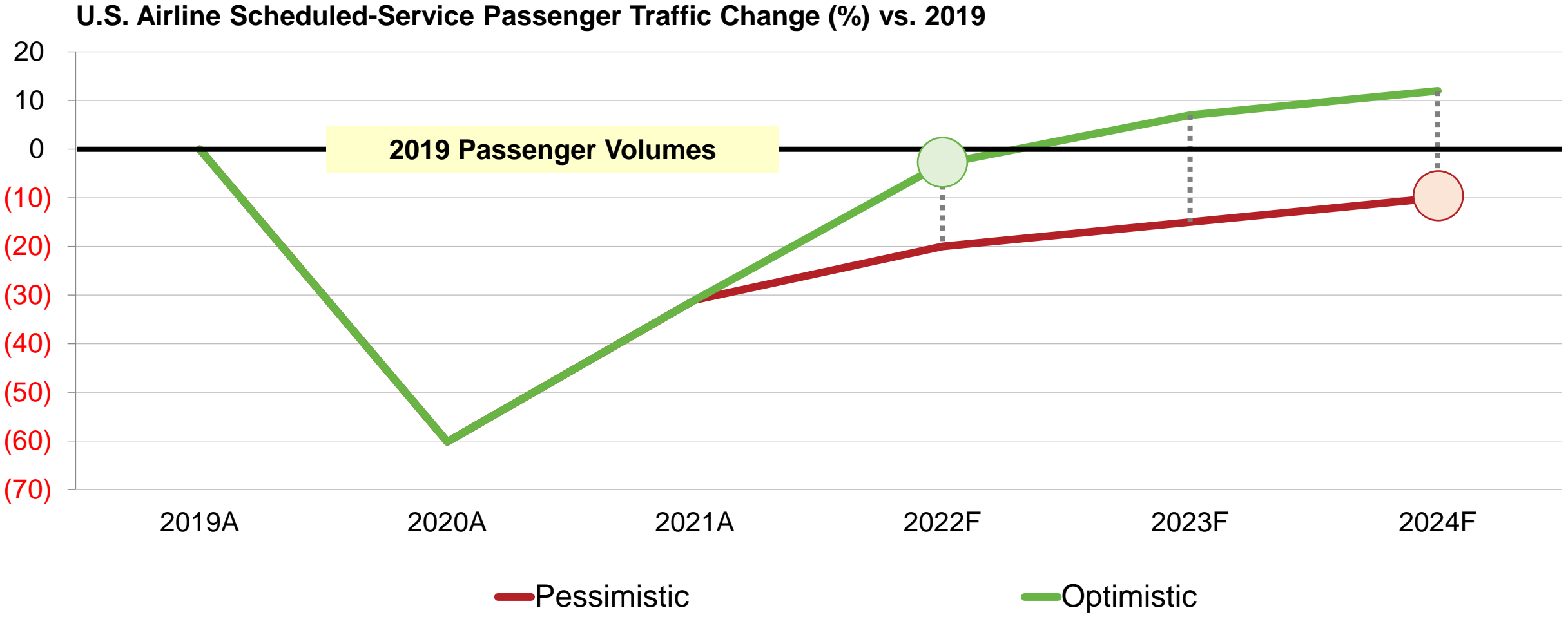


Source: Anuvu (formerly Global Eagle masFlight)

* 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



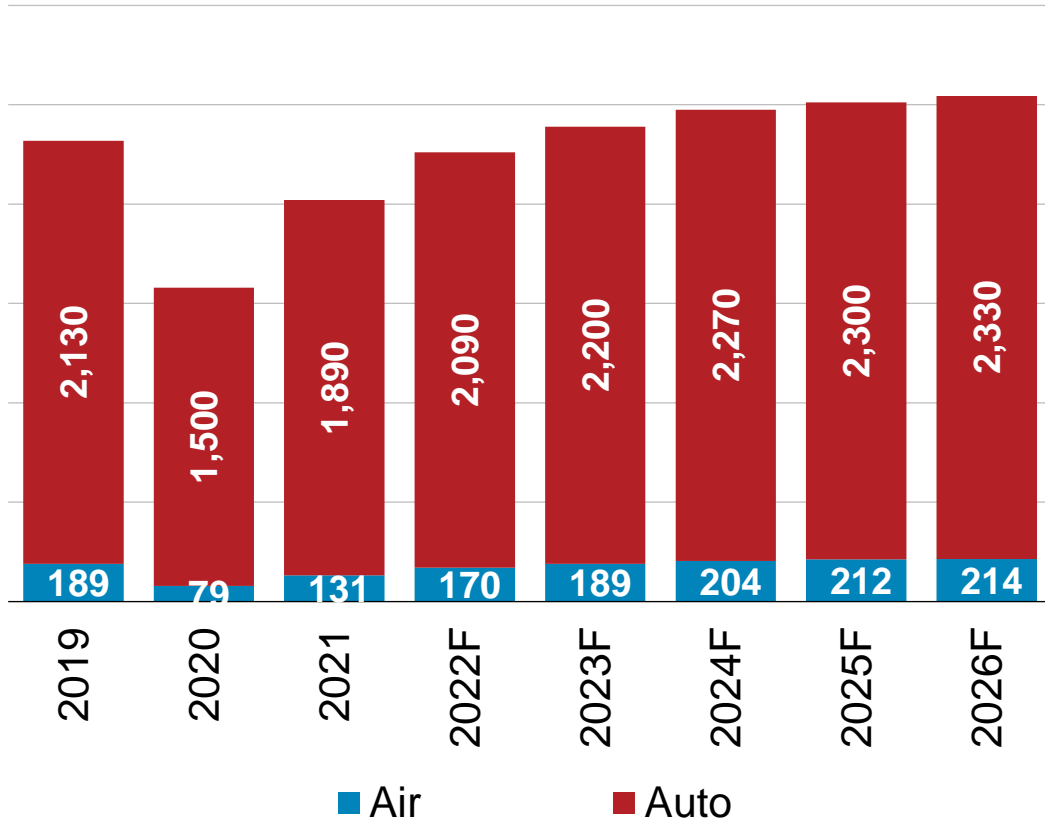
Source: A4A and various airline equity analysts

Note: A = actual; F= forecast

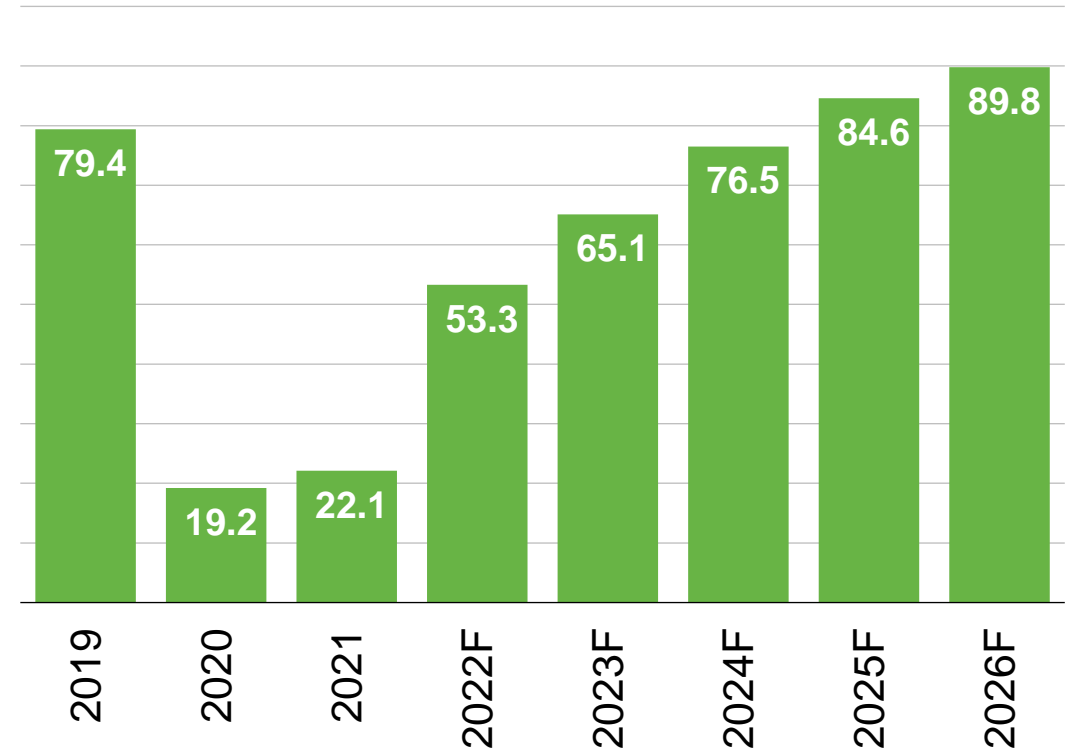
The U.S. Travel Association Projects Domestic Air Trips to Recover by 2023

Recovery of International Arrivals Delayed Until 2025

U.S. Domestic Person-Trips* (Millions)



International Arrivals* (Millions)

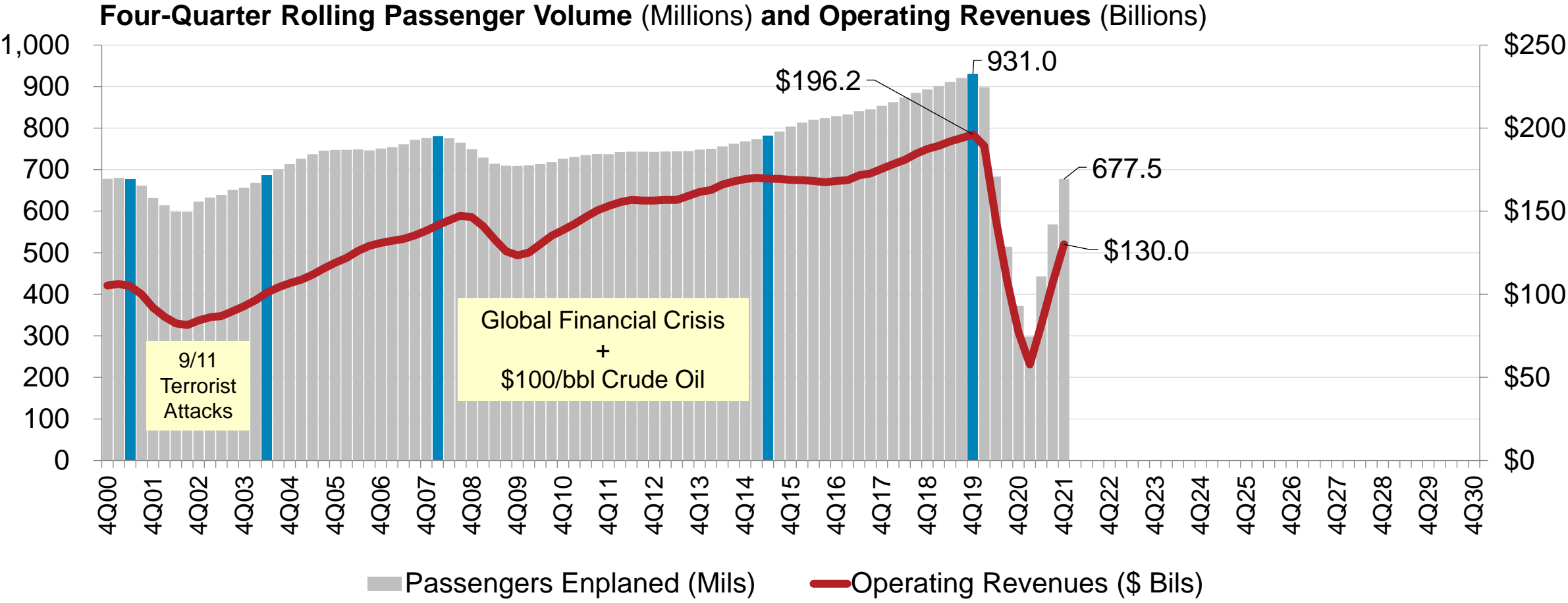


Sources: Tourism Economics and U.S. Travel Association (June 16, 2022)

* Includes air and non-air travel

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)

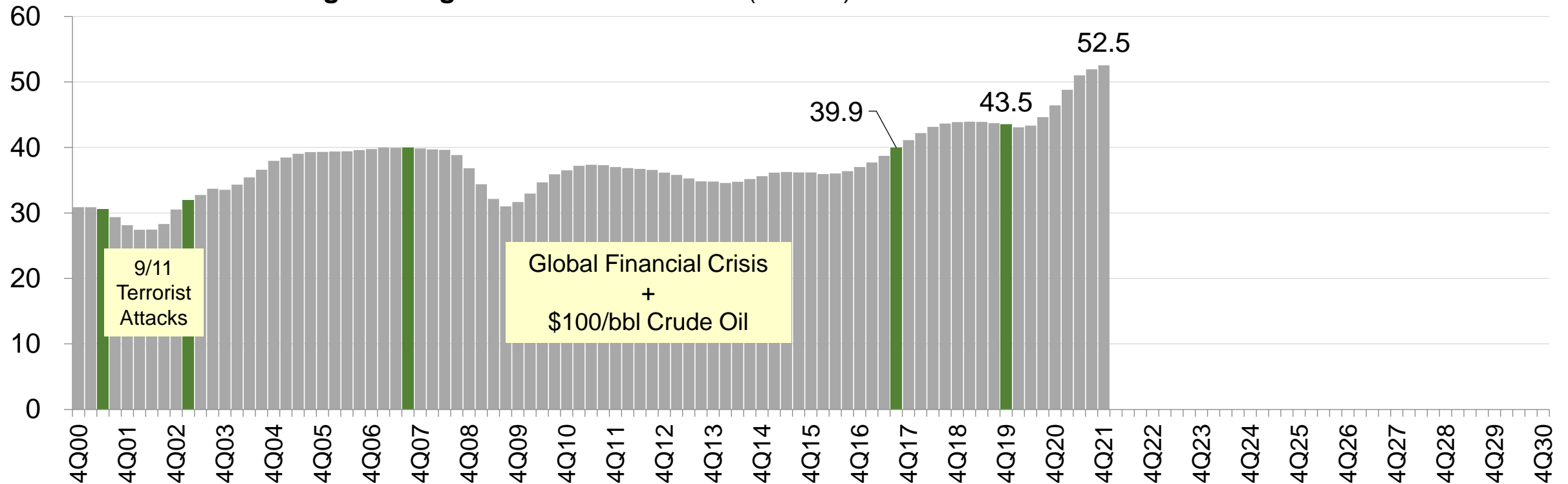
* Passengers enplaned systemwide on U.S. airlines in scheduled and nonscheduled services

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

“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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