



Airlines for America[®]

We Connect the World

Emerging From the Pandemic

Updated Sept. 14, 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 expected to post modest profits in 2022, which would be put to work to retire the massive debt accumulated in the first two years of the pandemic.
- » Debt—and interest expense—will remain elevated through at least 2024.

A Multiyear, Multistage Recovery Is Underway

**Contain
the Virus**



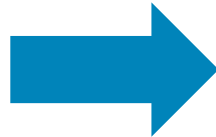
**Stabilize the
Economy**



**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**

U.S. Passenger Airlines Incurred ~\$3.5 Billion in Pre-Tax Losses in the First Half of 2022

Operating Revenues in Line With 1H 2019, But Operating Expenses 13% Higher

Financial Results: Jan-Jun 2022	\$ Billions	\$ vs. 2019	% vs. 2019	% of Category
Passenger (RPMs down 14%, yield up 10%)	79.0	(4.5)	(5)	86.6
Cargo	2.7	1.0	64	2.9
Other ¹	9.6	3.6	60	10.5
Total operating revenues	91.3	0.2	–	100.0
Salaries, wages and benefits*	26.7	0.6	2	29.1
Aircraft fuel and taxes (consumption down 15%, price up 62%)	25.4	7.0	38	27.7
Maintenance materials and repairs	4.5	0.2	4	4.9
Landing fees and airport rentals	5.6	0.8	18	6.1
Depreciation and amortization ²	4.9	(0.2)	3	5.3
Other ³	24.7	1.8	8	27.0
Total operating expenses	91.8	10.2	13	100.0
Interest and other non-op expenses, net	3.0	1.9	181	n/a
Pre-tax income/(loss)	(3.5)	(12.0)	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.

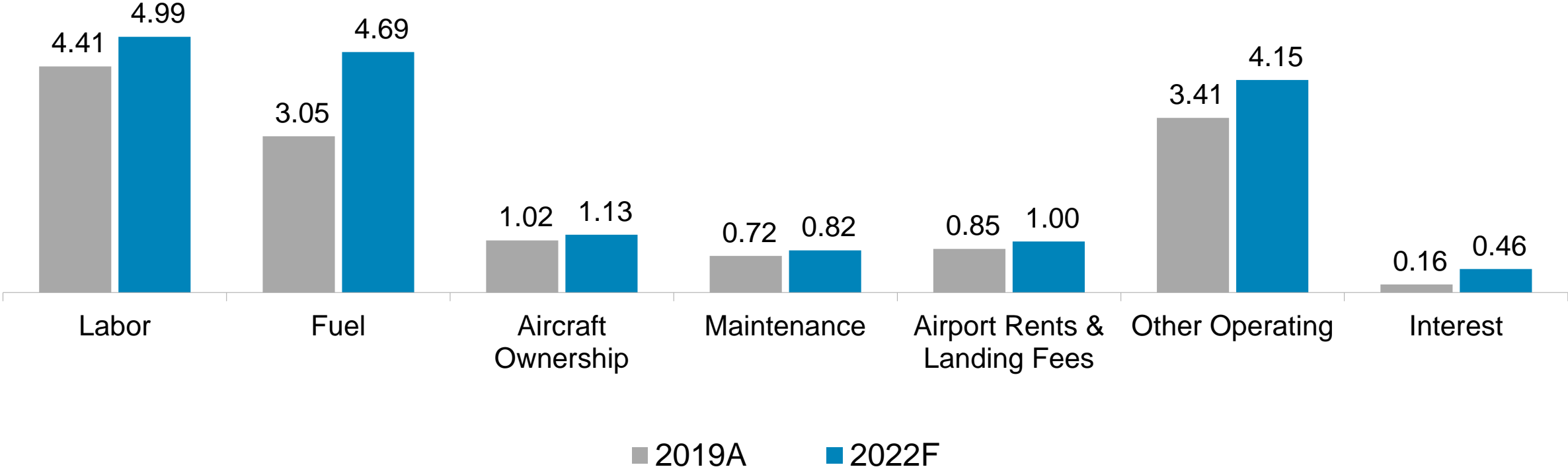
2. Related primarily to ownership of aircraft, ground support equipment, information technology, etc.

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 25% More Than in 2019
 Additionally, Interest Expense per Seat-Mile Is Projected to Rise 192%

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



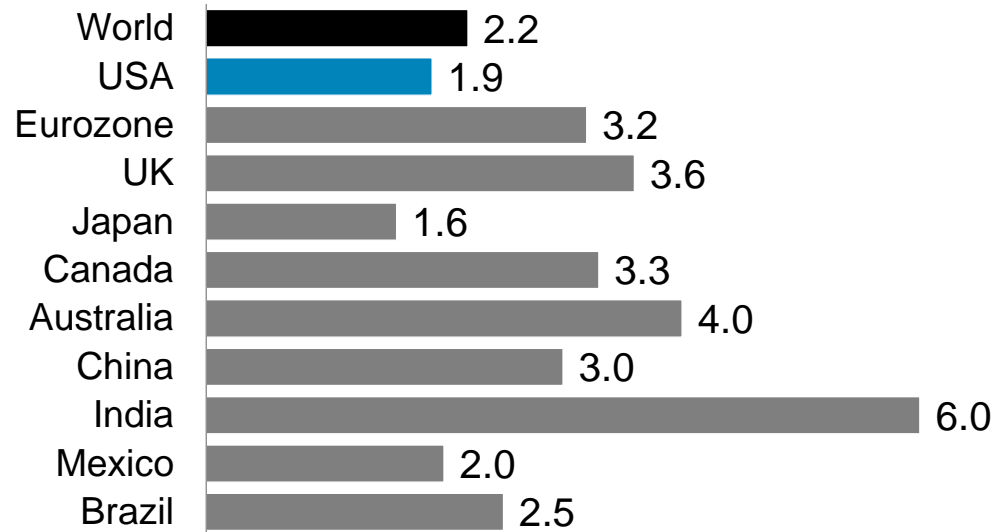
Source: A4A, Wolfe Research and filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

Per Wells Fargo, the *Global* Economy Will Grow 2.2% in 2022

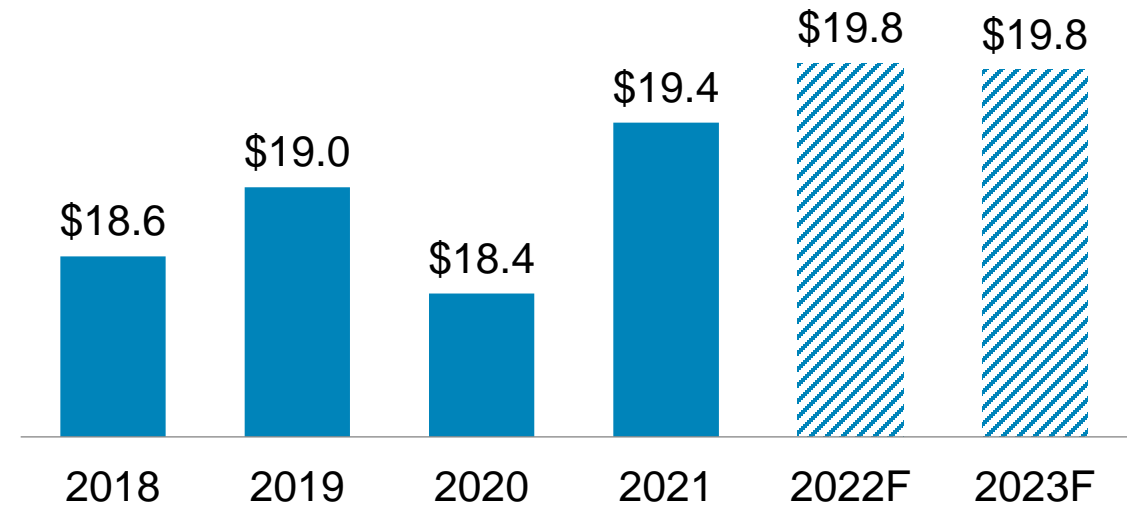
The U.S. Economy Is Projected to Grow Just 1.9%

“Since June, we have been forecasting that the U.S. economy would slip into recession in 2023, and the Fed's firmly stated resolve to bring inflation to heel reinforces our conviction that the U.S. economy is set to contract modestly in coming quarters.” (Wells Fargo, Sept. 9, 2022)

Projected 2022 Real GDP Growth (%)



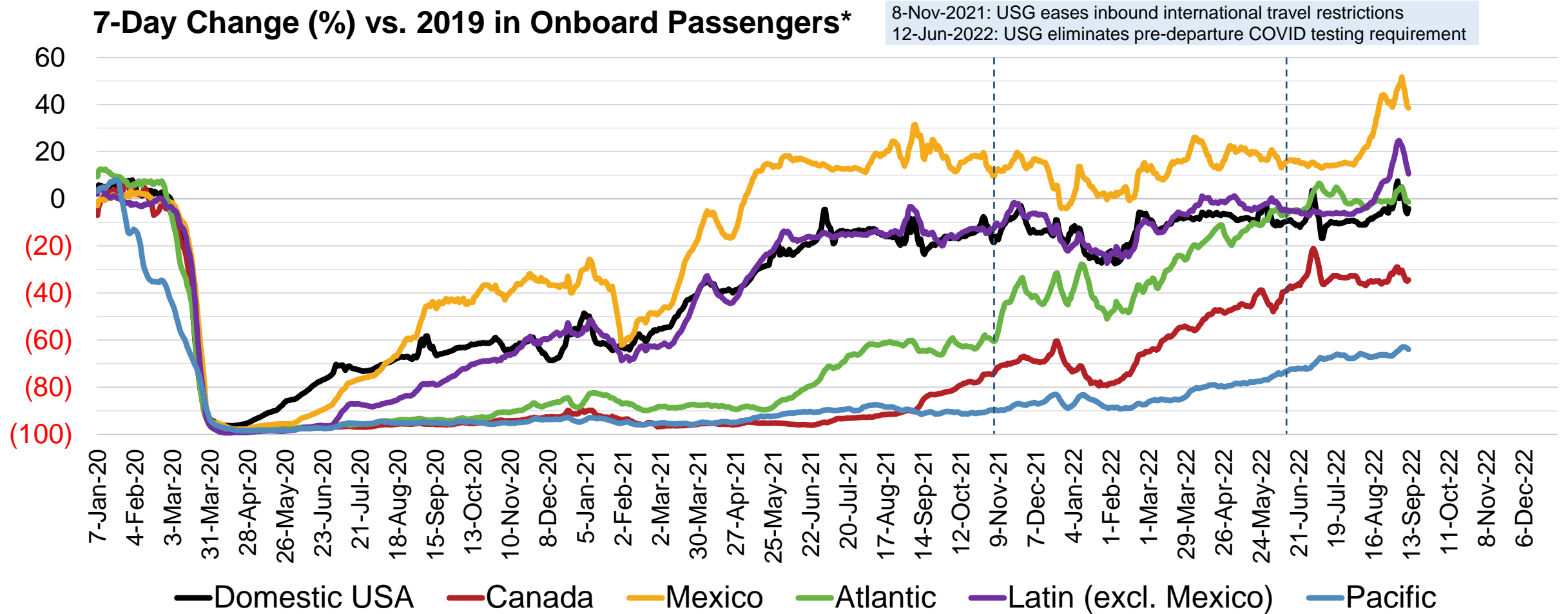
U.S. Real GDP (Trillions, \$2012)



Source: Wells Fargo Securities (Sept. 9, 2022) and U.S. Bureau of Economic Analysis

Sept. 5-11: A4A Member Airline Passenger Volumes Were 4% Below 2019 Levels

Domestic Air Travel Down 4%, International Air Travel Down 5%

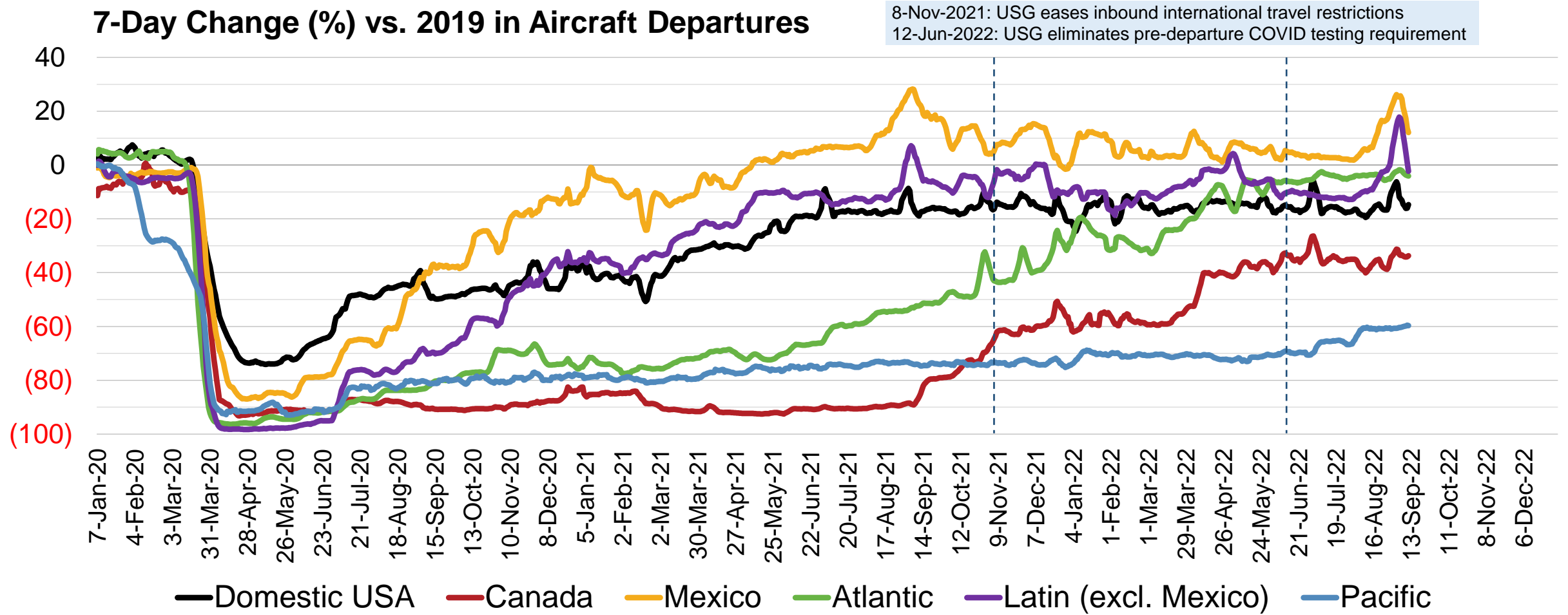


Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

* Onboard ("segment") passengers

Sept. 5-11: A4A Member Airline Departures Were 14% Below 2019 Levels

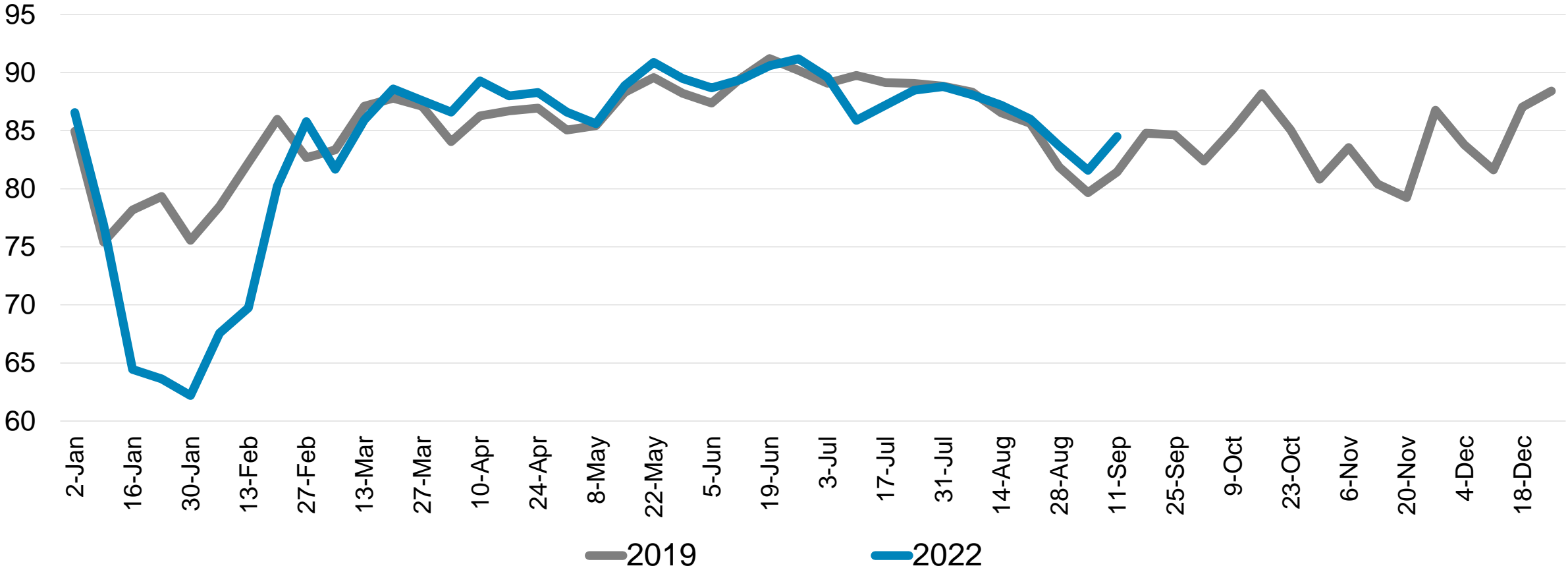
Domestic Flights Operated Down 15%, International Flights Operated Down 12%



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 in Line With Pre-Pandemic Levels

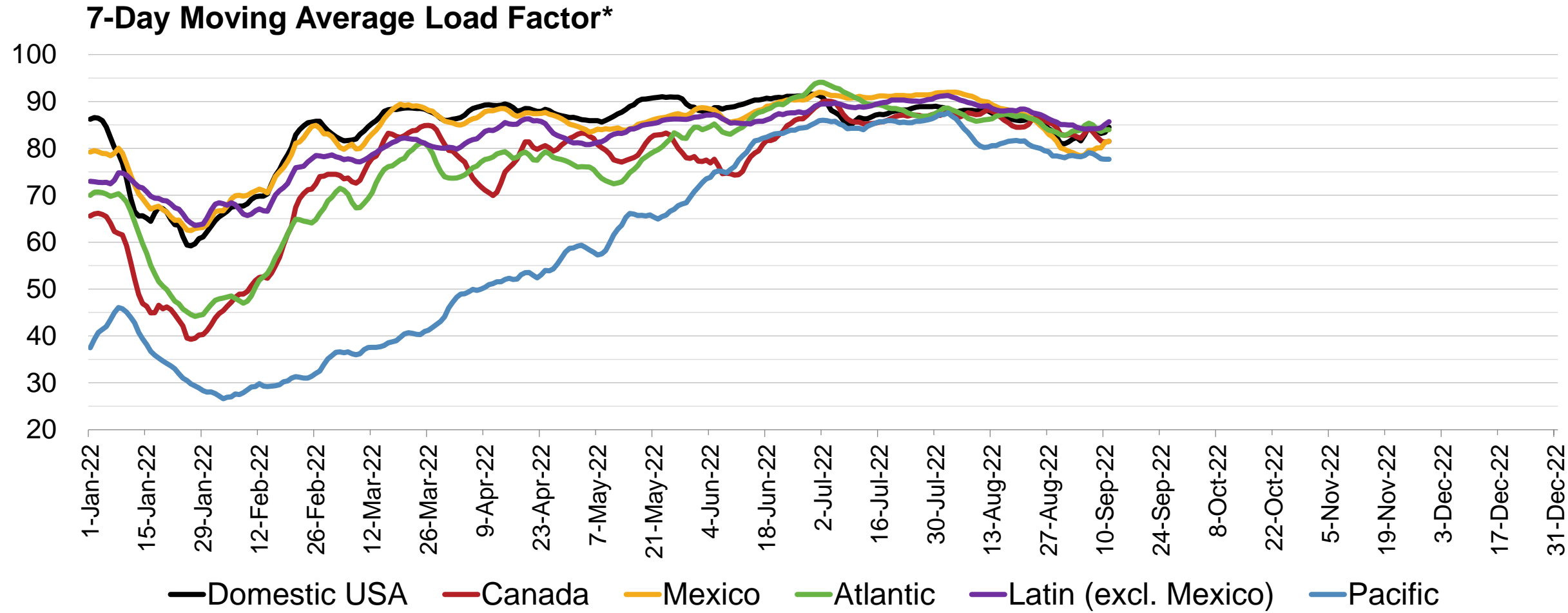
Weekly Average Domestic U.S. Load Factor* (%)



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

Load Factors Trailing on A4A Member Airline Transpacific Flights

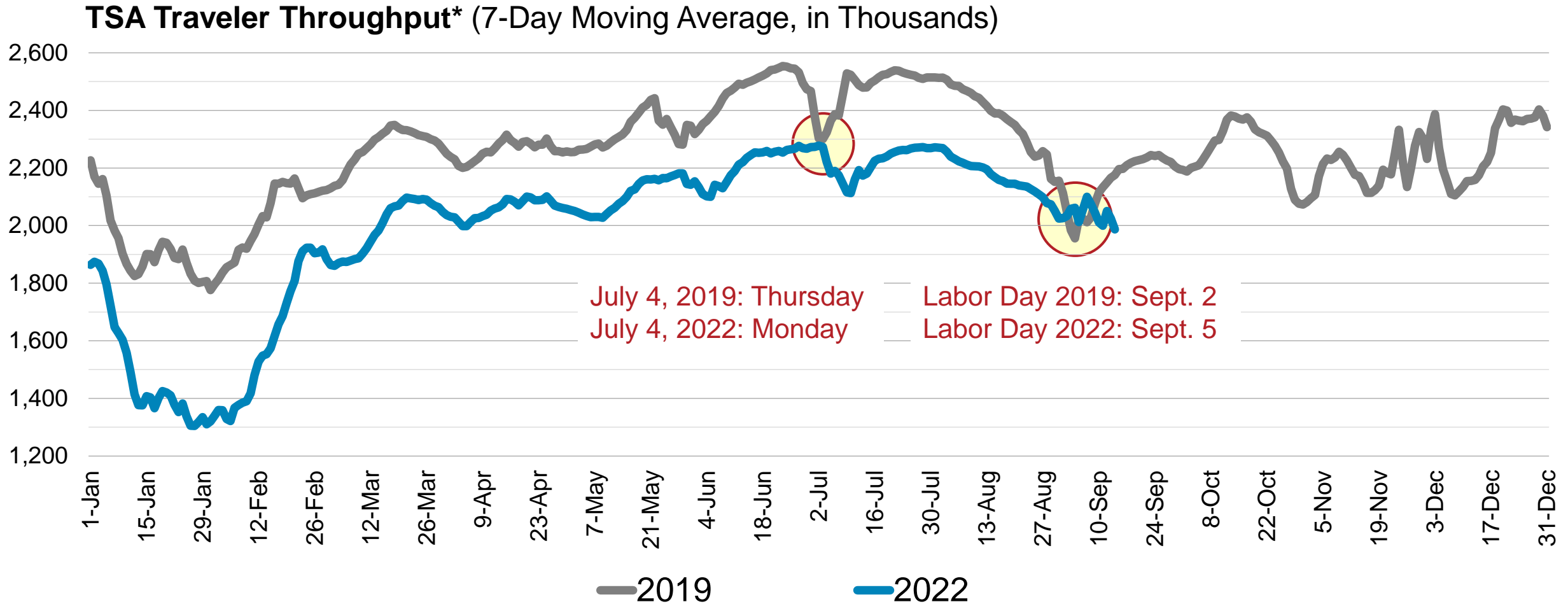


Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

* Traffic (RPMs) divided by capacity (ASMs)

In the Week Ending Sept. 13, TSA Volumes Fell 9% From 2019 Levels on Labor Day Timing

January-August 2022: Throughput Down 12.4% From 2019

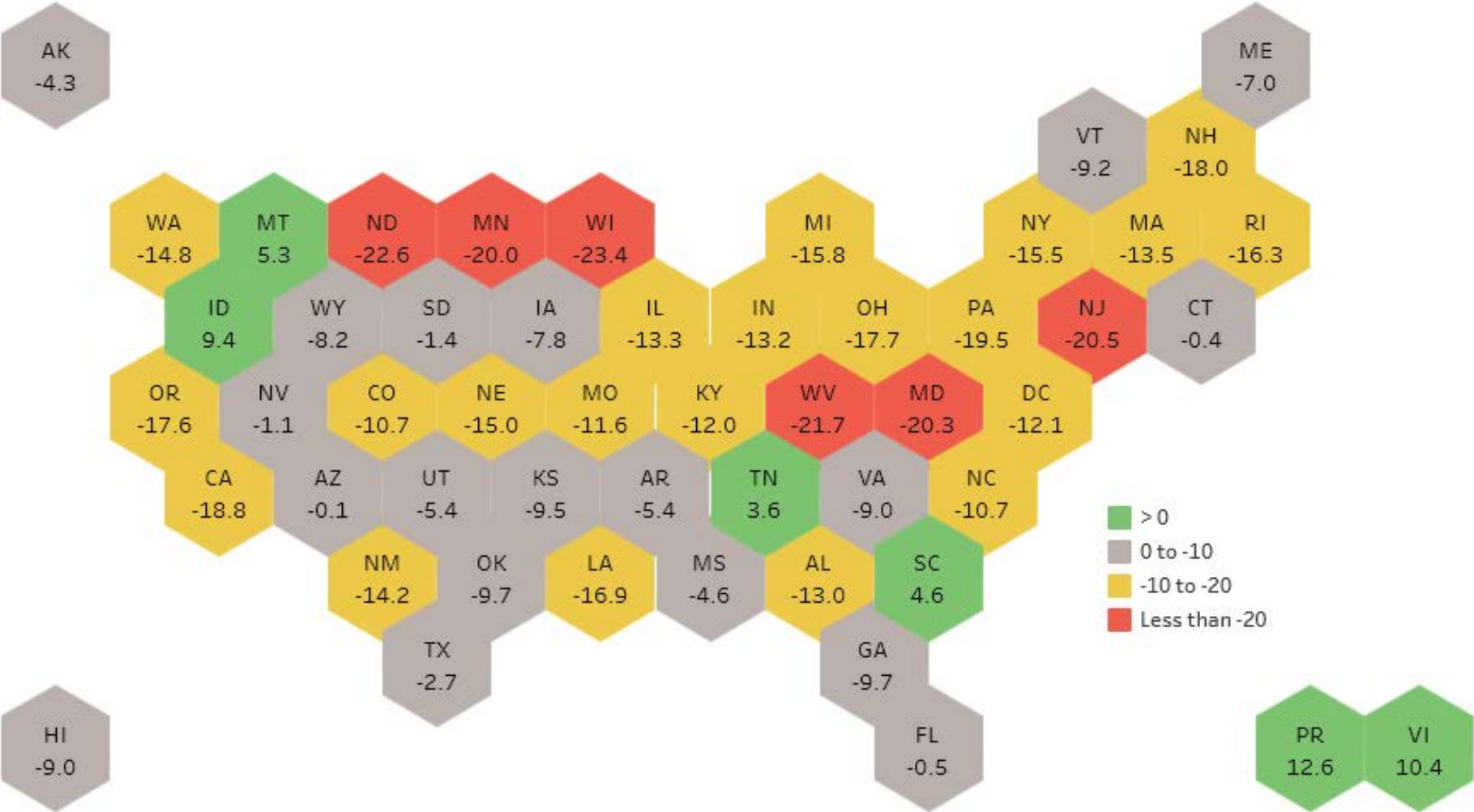


Source: Transportation Security Administration

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

In August, TSA Checkpoint Volumes Exceeded 2019 Levels in Six U.S. States and Territories

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

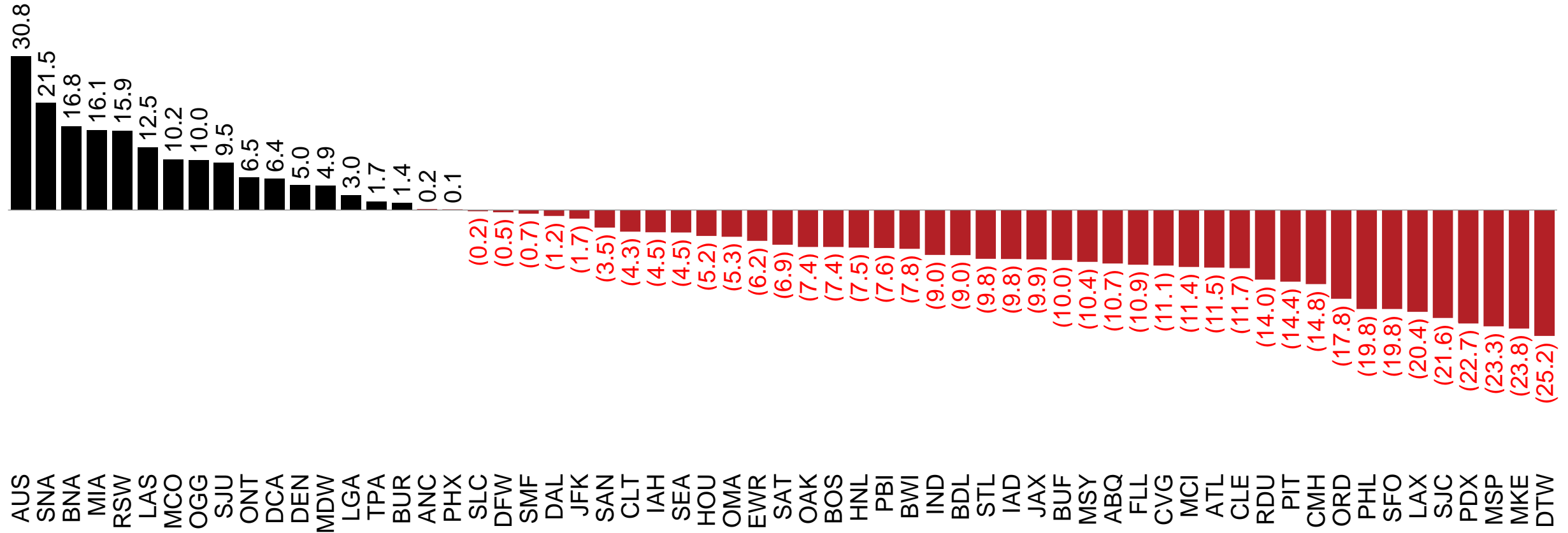


Source: Transportation Security Administration

Eight Large/Medium U.S. Airports Are Seeing Double-Digit Seat Growth vs. 2019

Austin Leading the Pack in Growth; Detroit Seeing the Largest Decline

Change (%) in Systemwide Scheduled Seats: Sep/Oct 2022 vs. Sep/Oct 2019

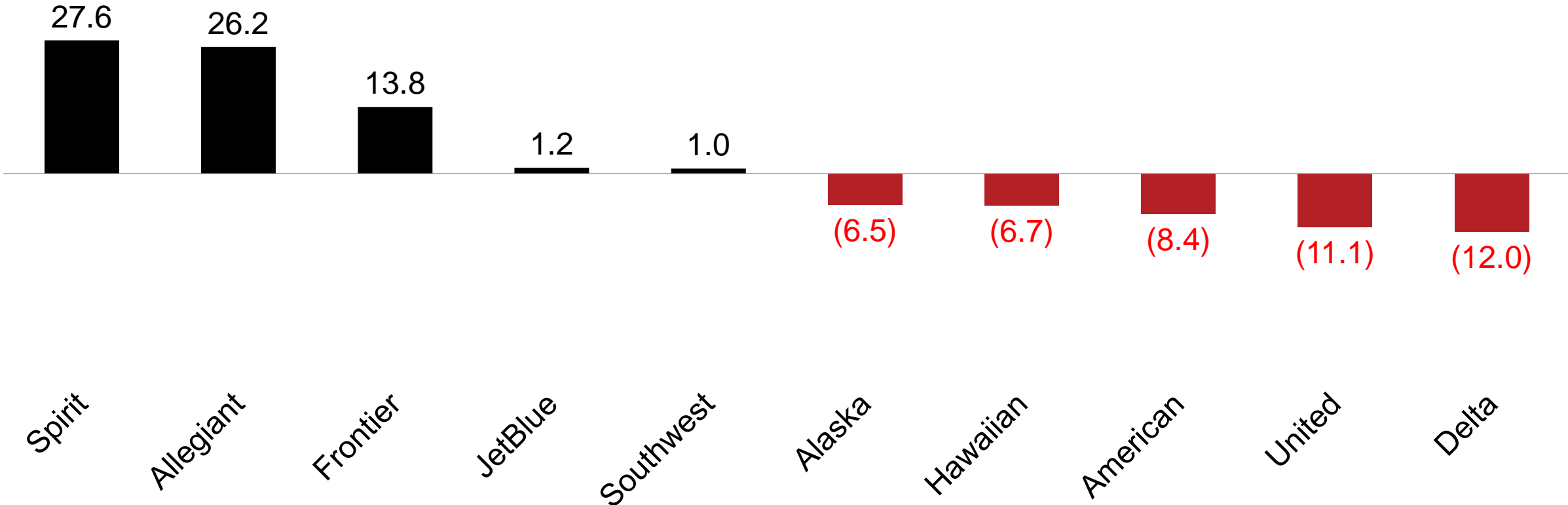


Source: Diio by Cirium published schedules (Sept. 9, 2022) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

Spirit/Allegiant/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: Sep/Oct 2022 vs. Sep/Oct 2019



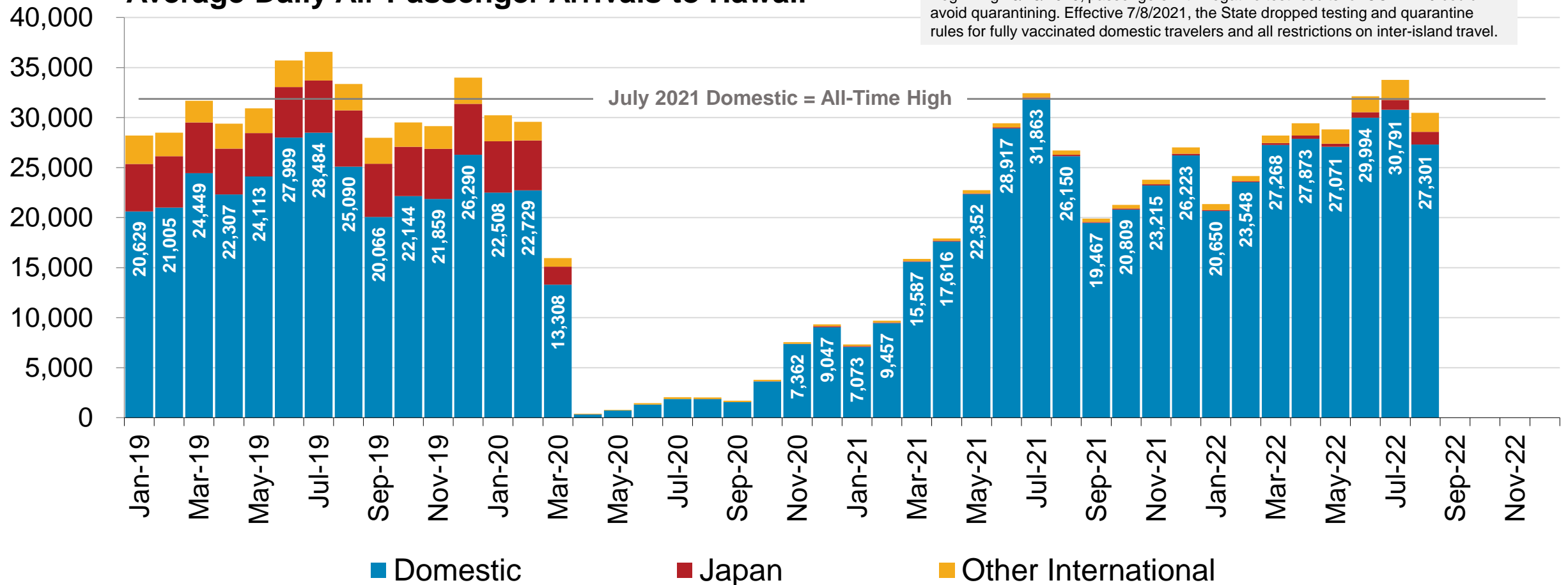
Source: Dii by Cirium published schedules (Sept. 9, 2022) for selected marketing airlines (i.e., on a consolidated basis)

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

Average Daily Air Passenger Arrivals to Hawaii*

On 3/26/2020, Hawai'i mandated a 14-day self-quarantine for out-of-state arrivals. Beginning 10/15/2020, passengers with negative test results for COVID-19 could avoid quarantining. Effective 7/8/2021, the State dropped testing and quarantine rules for fully vaccinated domestic travelers and all restrictions on inter-island travel.

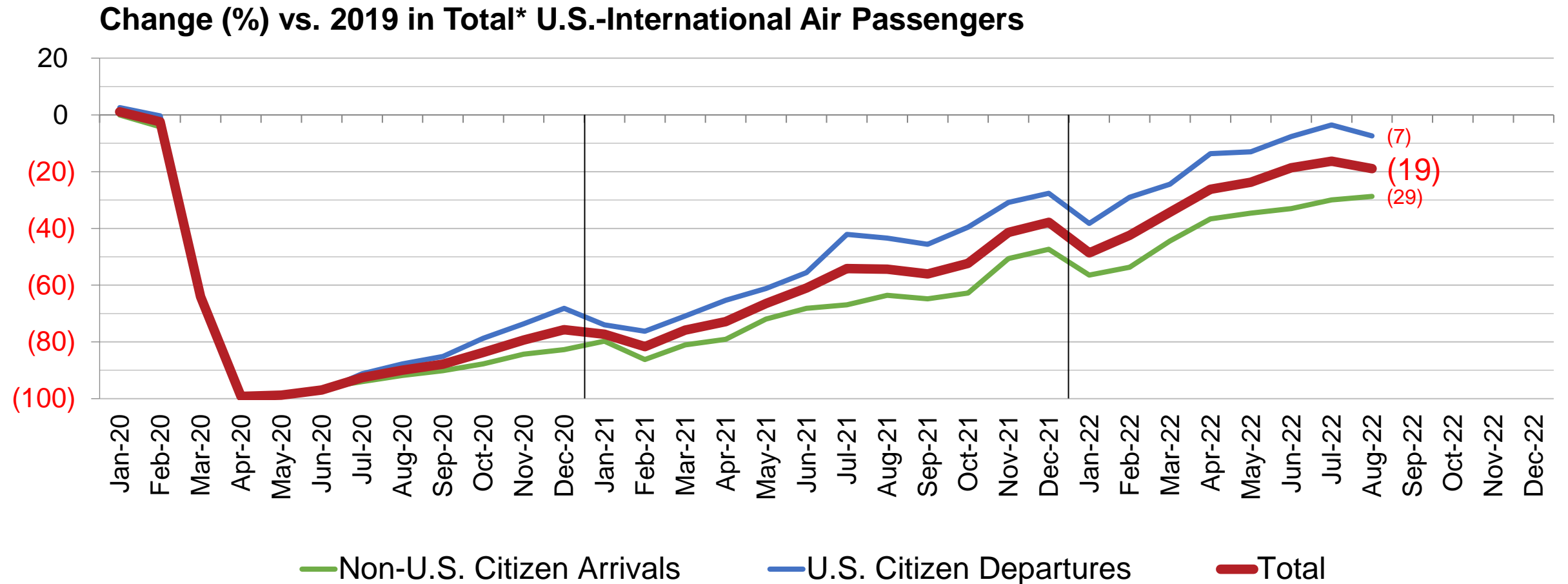


Source: Hawaii Department of Business, Economic Development & Tourism

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

In August 2022, U.S.-International Air Travel* Fell 19% Below 2019 Levels

Non-U.S. Citizen Arrivals Trailed U.S. Citizen Departures by ~21 Percentage Points



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

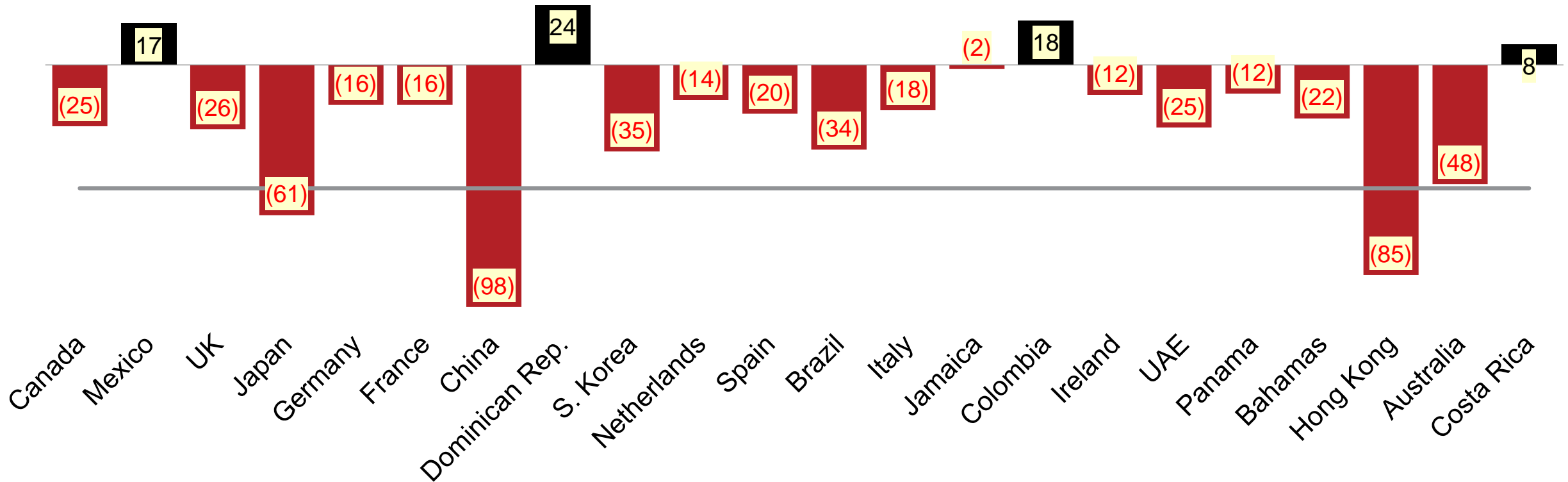
* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

U.S.-Japan/China Air-Travel Demand Continues to Trail 2019 Levels by More Than 50%

U.S.-Mexico/Dominican Republic/Colombia/Costa Rica Volumes *Exceed* Pre-Pandemic Levels

Top U.S. Country Pairs: Change (%) in Passengers* in Aug-2022 vs. Aug-2019

Sorted left to right by highest volume in Calendar Year 2019

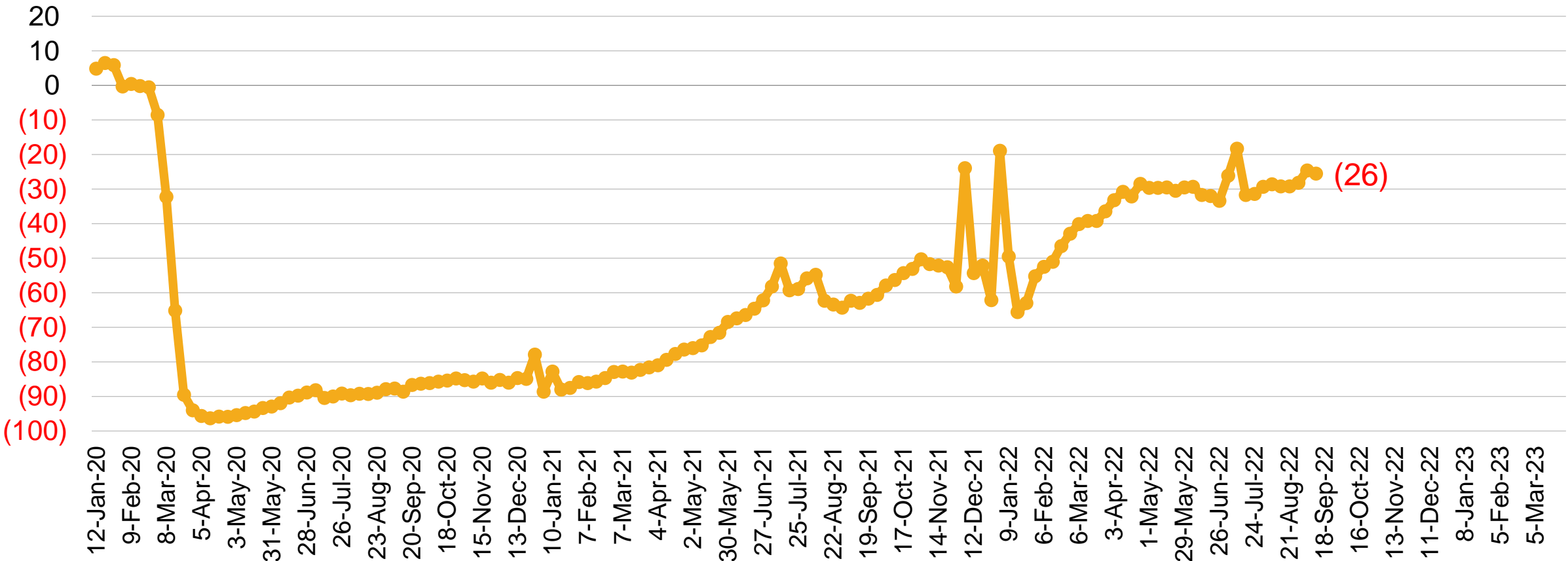


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

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

Recovery of “Corporate” Sales Showing Promise, But Levels Remain Materially Below 2019

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

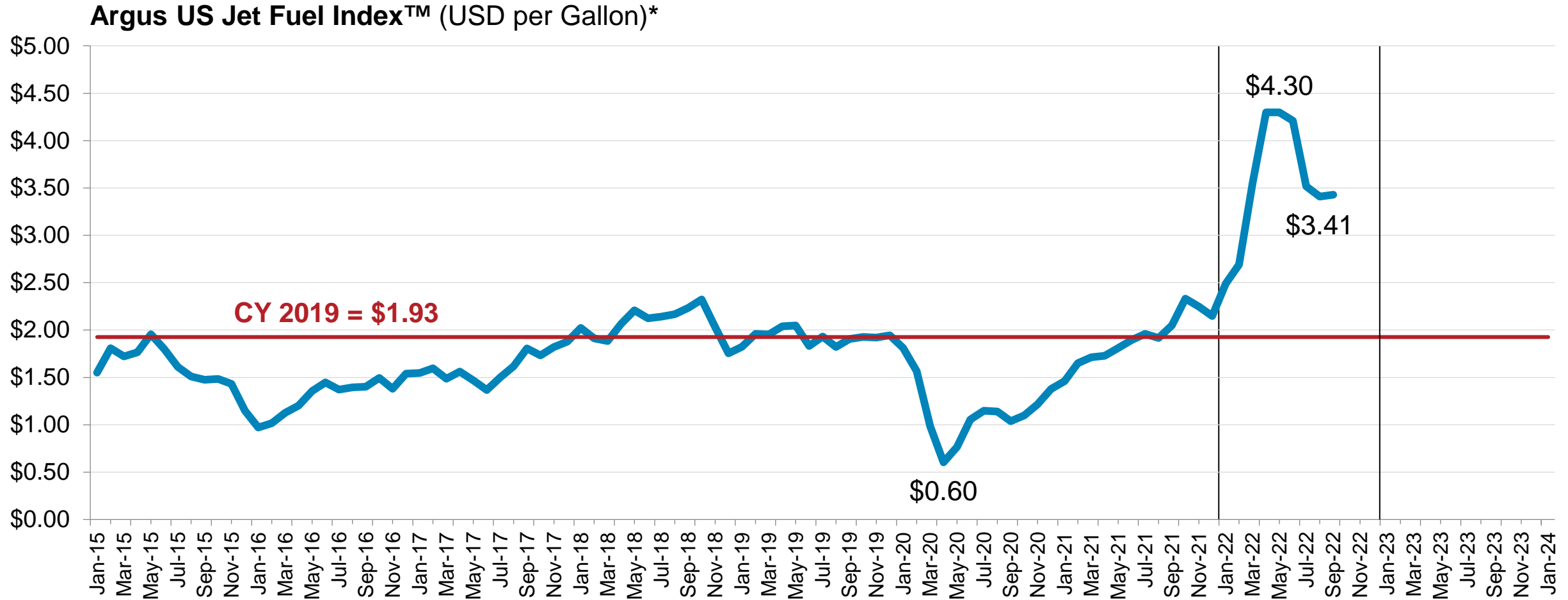


Source: Airlines Reporting Corporation (ARC)

* 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 in 2022

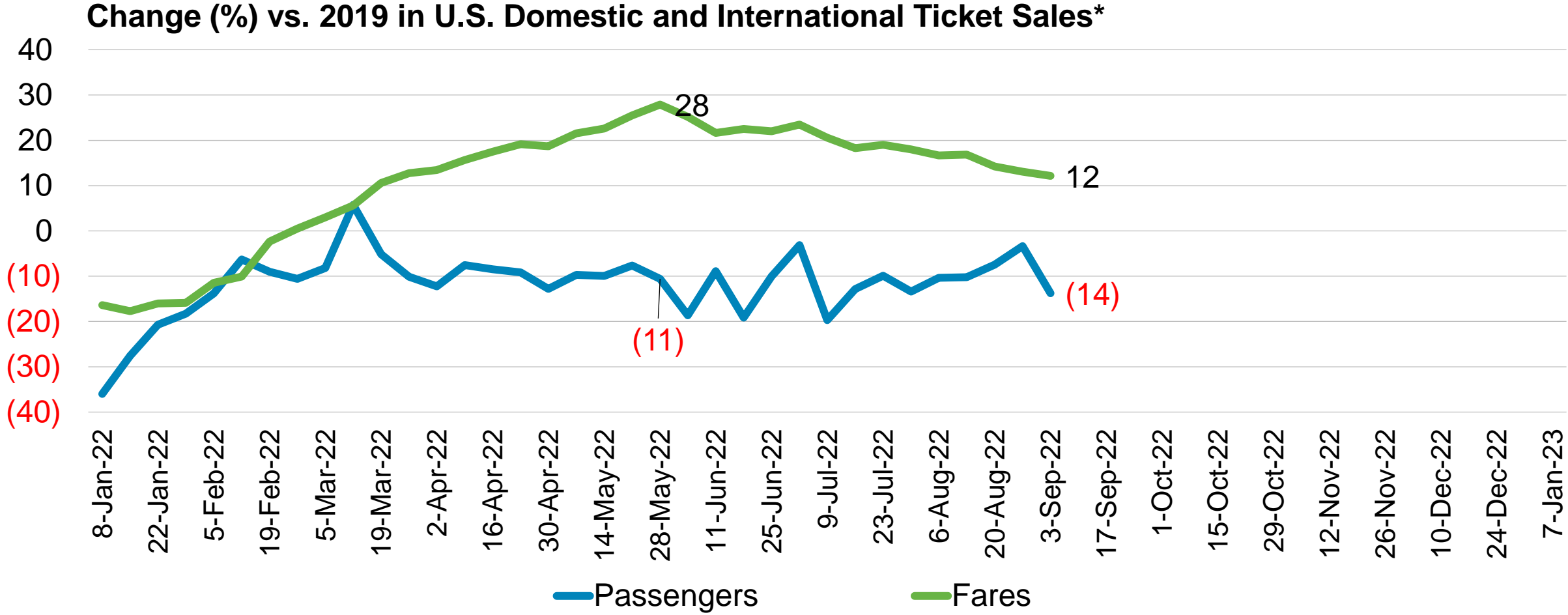
Nationwide Spot Price Averaged \$3.41 in August 2022 — Up 87% From \$1.82 in August 2019



Sources: Argus Media as noted at <https://www.airlines.org/dataset/argus-us-jet-fuel-index/>

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

Recent Data Suggests That Fare Growth May Have Peaked in Late May



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

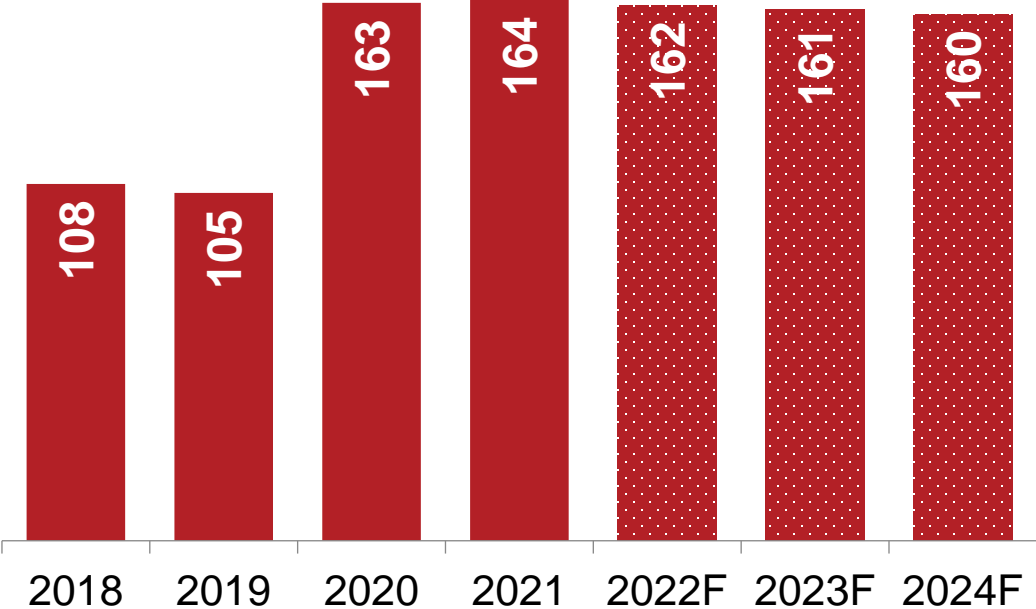
* Net tickets (gross sales minus refunds) sold in the United States for travel to/from U.S. airports

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

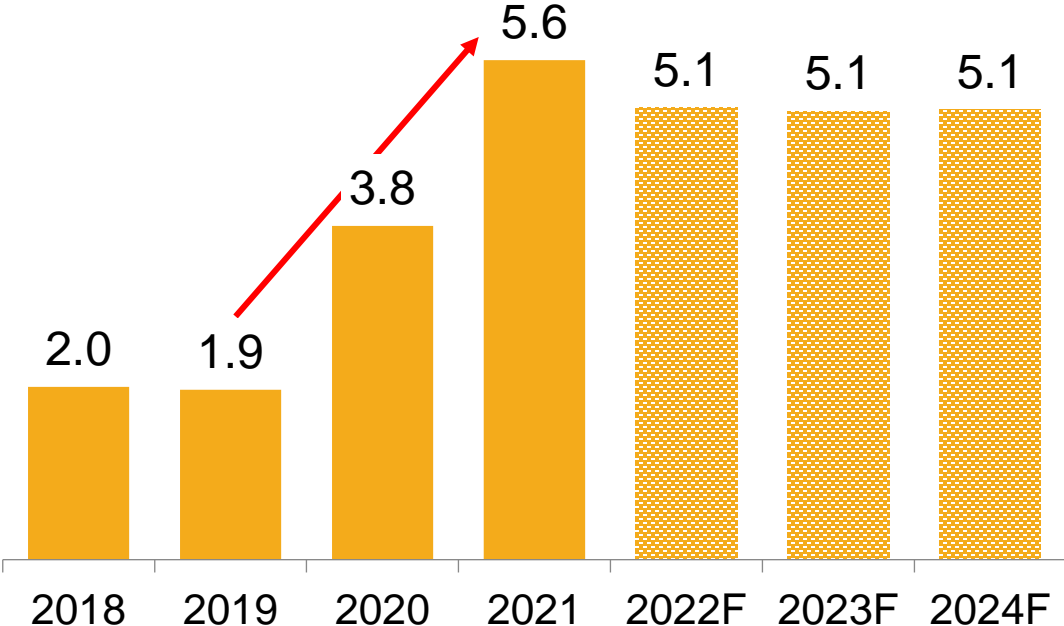
Net Interest Expense Tripled From 2019 to 2021 and Expected to Exceed \$15B in 2022-2024

“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)



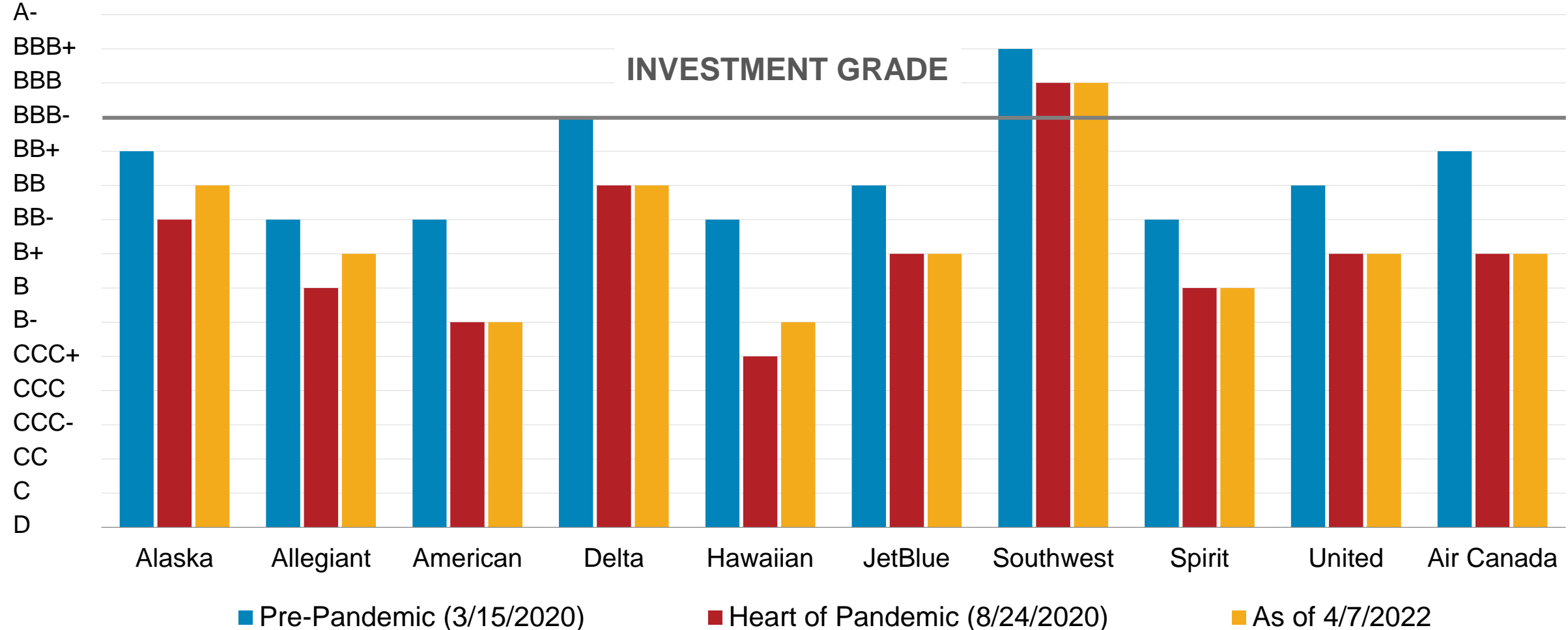
Interest Expense, Net (\$ Billions)



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

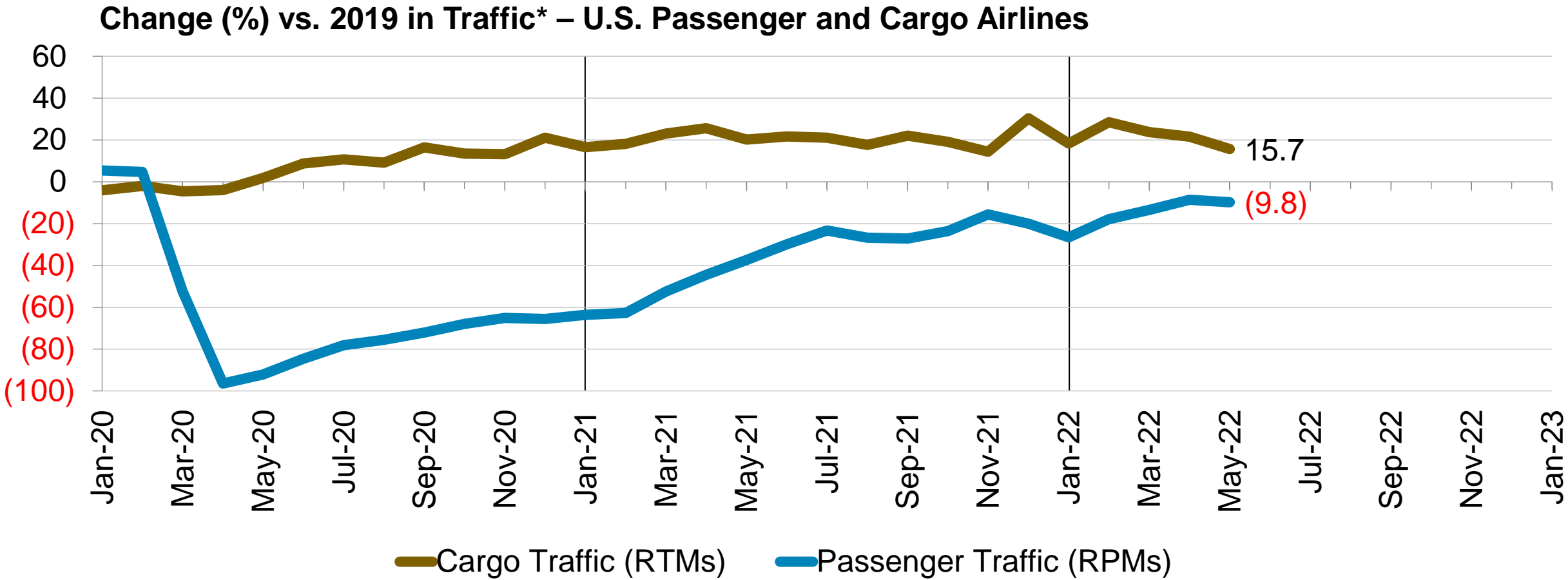
Ratings Actions Reflect Assessment of Financial Condition and Risk



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

Jan-May 2022 vs. Jan-May 2019: Cargo Traffic Rose 21%, Passenger Traffic Down 15%



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	Jun-2022: 767.3
Post-2000 Low Point	Apr-2010: 376.7	Apr-2010: 562.3
Pre-COVID	Feb-2020: 458.2	Feb-2020: 753.4
Pandemic Low Point	Nov-2020: 363.4	Oct-2020: 669.2
Latest Available Data Point	Jul-2022: 460.4	Jul-2022: 767.8

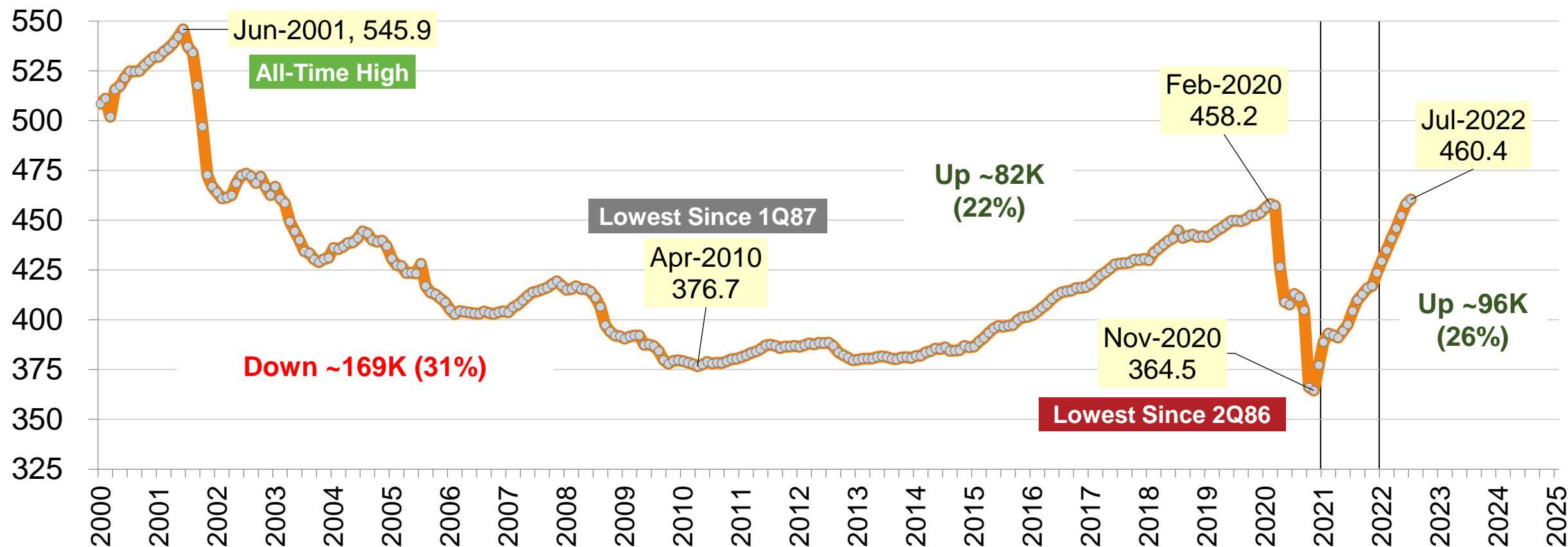
Source: Bureau of Transportation Statistics based on payroll near the 15th of the month

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

As of July, U.S. Passenger Airline FTEs *Exceeded* Pre-COVID Levels

Highest Monthly Employment Since February 2003

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

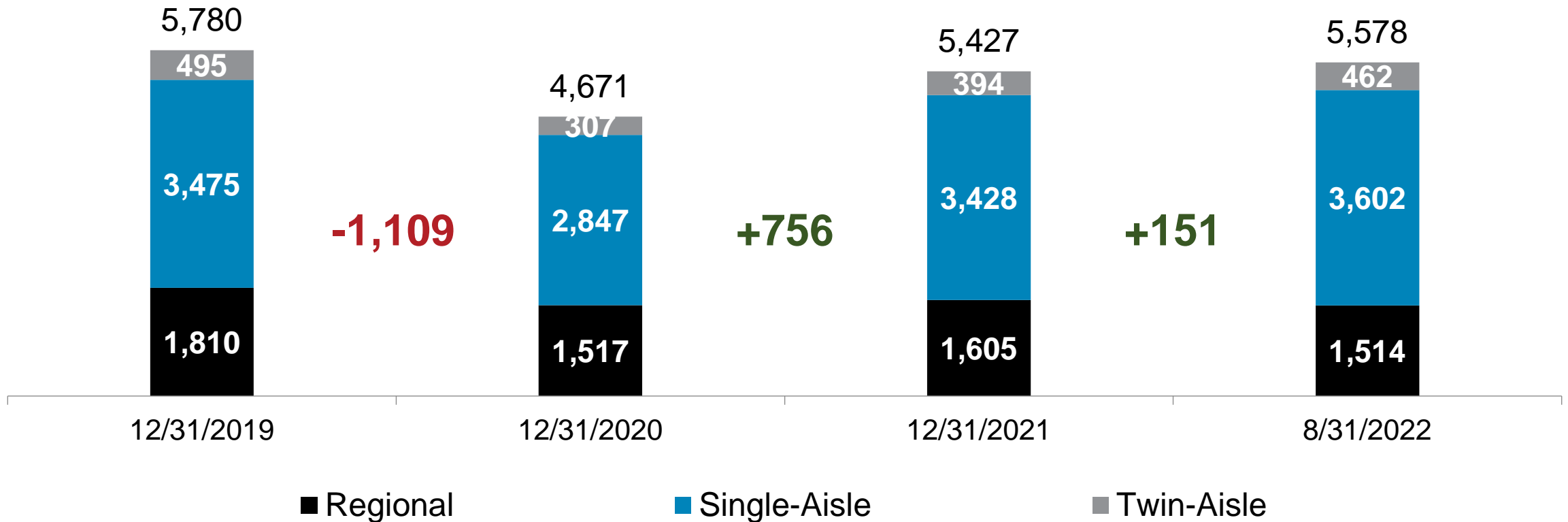


Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)

U.S. Passenger Airlines Grew Active Fleet by 907 Units From End of 2020 to End of Aug-2022

Regional Aircraft Count Has Fallen Below Year-End 2020

Number of Active Aircraft*

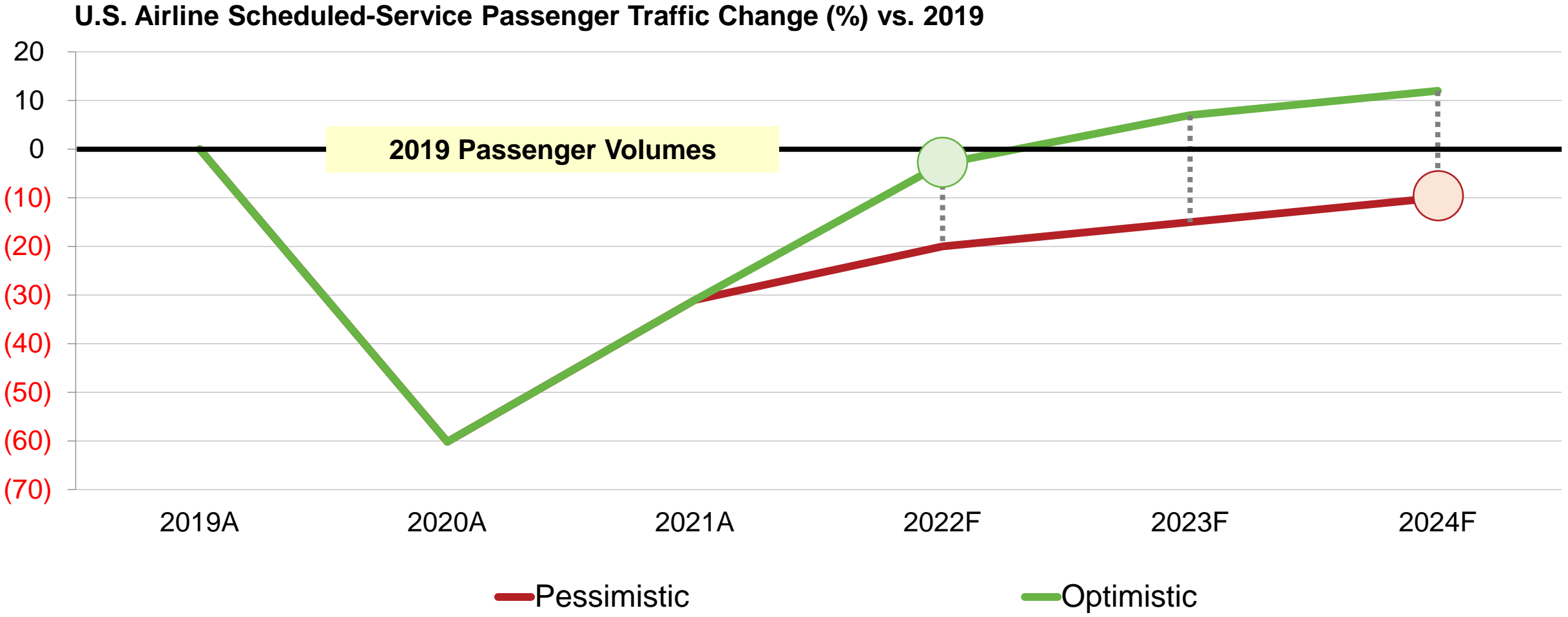


Source: Anuvu (formerly Global Eagle masFlight)

* 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



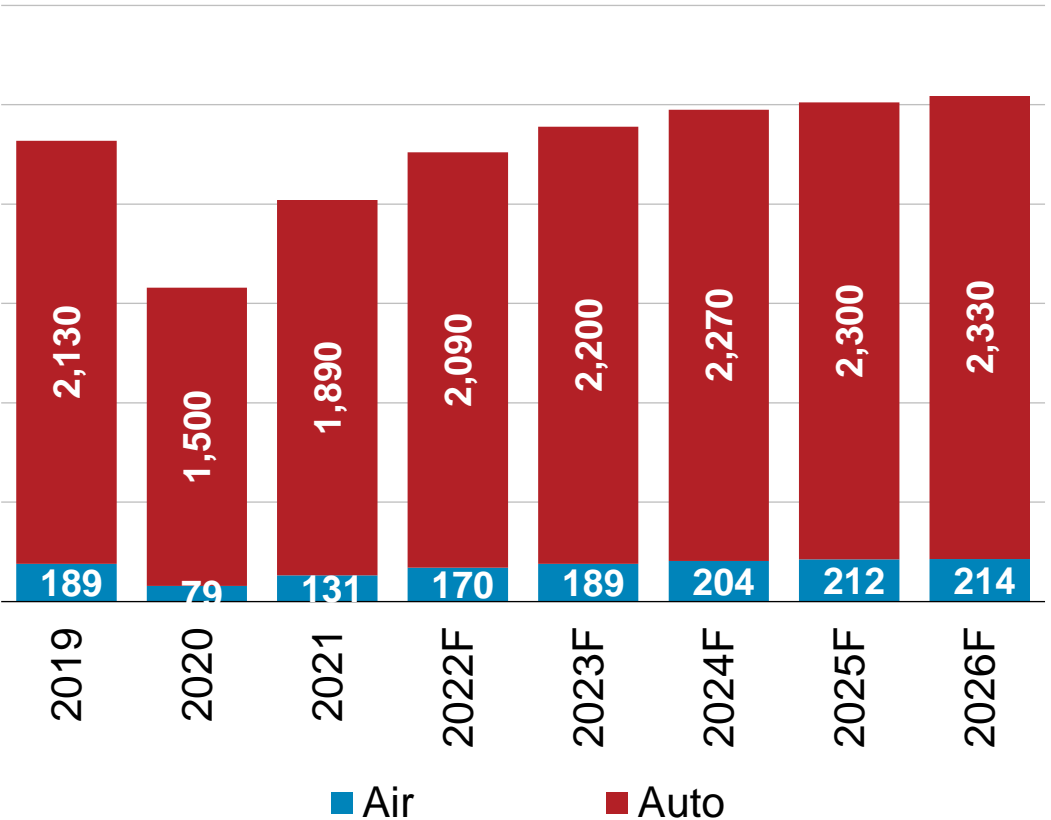
Source: A4A and various airline equity analysts

Note: A = actual; F= forecast

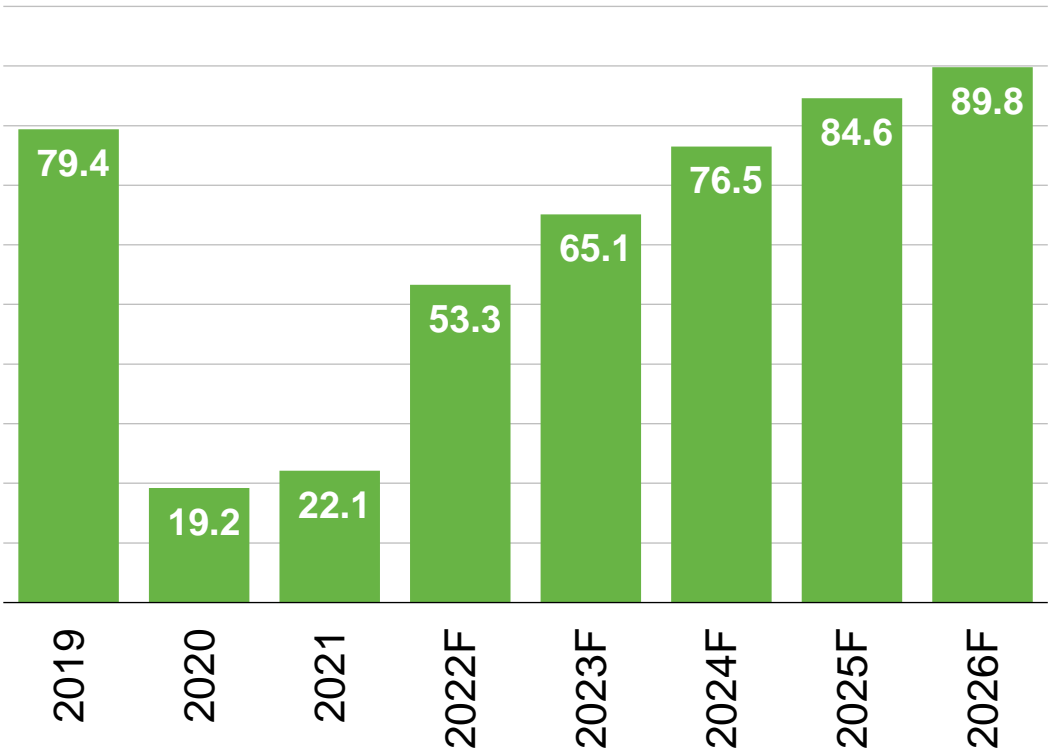
The U.S. Travel Association Projects Domestic Air Trips to Recover by 2023

Recovery of International Arrivals Delayed Until 2025

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



International Arrivals* (Millions)

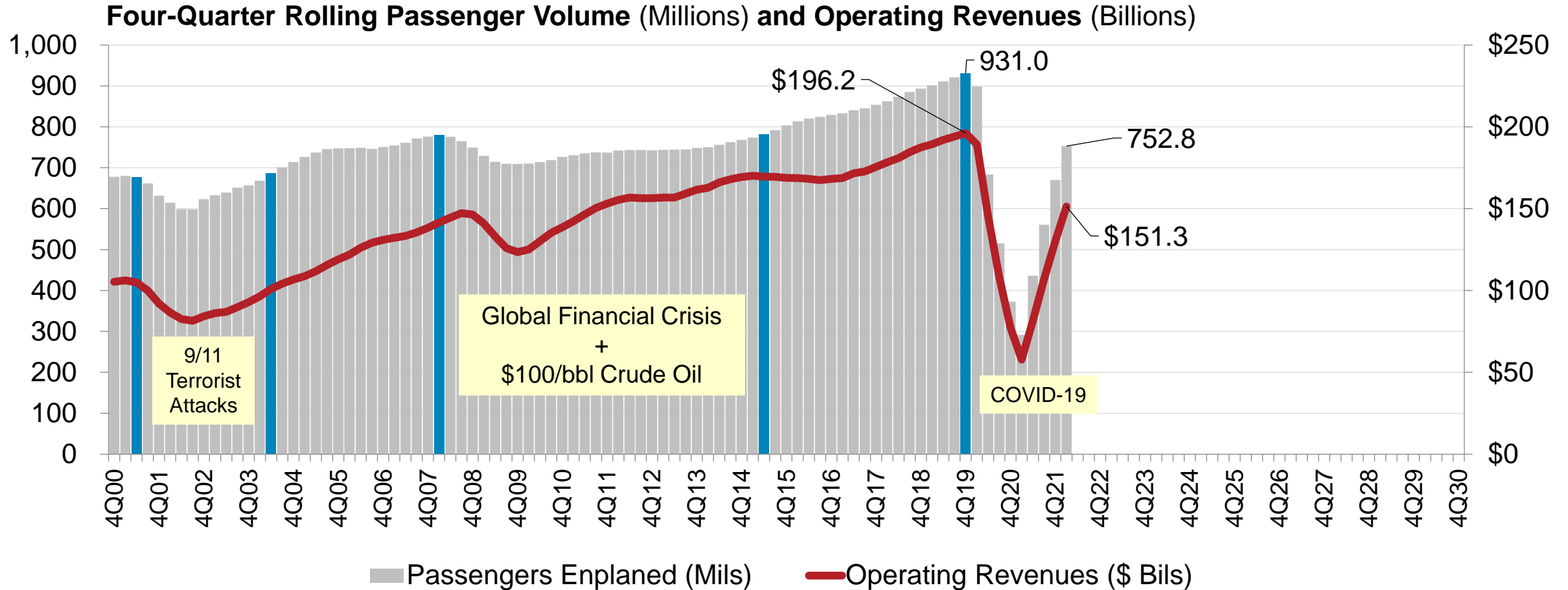


Sources: Tourism Economics and U.S. Travel Association (June 16, 2022)

* 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)

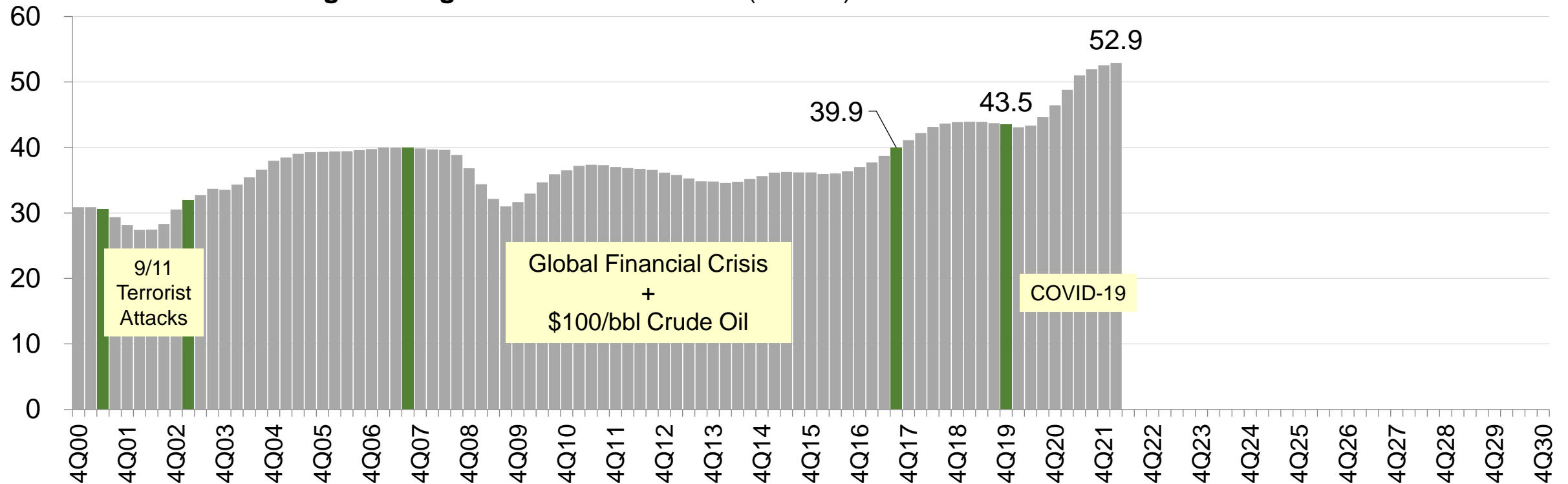
* Passengers enplaned systemwide on U.S. airlines in scheduled and nonscheduled services

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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