



Airlines for America[®]

We Connect the World

Emerging From the Pandemic

Updated November 23, 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

- » Ticket sales are strong but demand for corporate and long-haul international air travel continues to trail pre-pandemic levels.
- » Air cargo demand reached an all-time high in 2021; down slightly thus far 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**



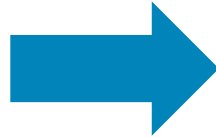
**Stabilize the
Economy**



**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 Recorded ~\$303 Million in Pre-Tax Losses in YTD 3Q 2022

Operating Revenues Rose 5% From YTD 3Q 2019, But Operating Expenses Rose 15%

Financial Results: Jan-Sep 2022	\$ Billions	\$ vs. 2019	% vs. 2019	% of Category
Passenger (RPMs down 15%, yield up 17%)	128.6	—	—	87.6
Cargo	3.8	1.4	60	2.6
Other ¹	14.4	5.4	60	9.8
Total operating revenues	146.7	6.8	5	100.0
Salaries, wages and benefits	40.7	1.2	3	28.5
Aircraft fuel and taxes (consumption down 14%, price up 68%)	41.0	12.7	45	28.7
Maintenance materials and repairs	6.9	0.4	6	4.9
Landing fees and airport rentals	8.5	1.3	17	5.9
Depreciation and amortization ²	5.9	(1.3)	(18)	4.1
Other ³	39.8	4.5	13	27.8
Total operating expenses	142.8	18.7	15	100.0
Interest and other non-op expenses, net	4.2	2.6	163	n/a
Pre-tax income/(loss)	(0.3)	(14.5)	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.

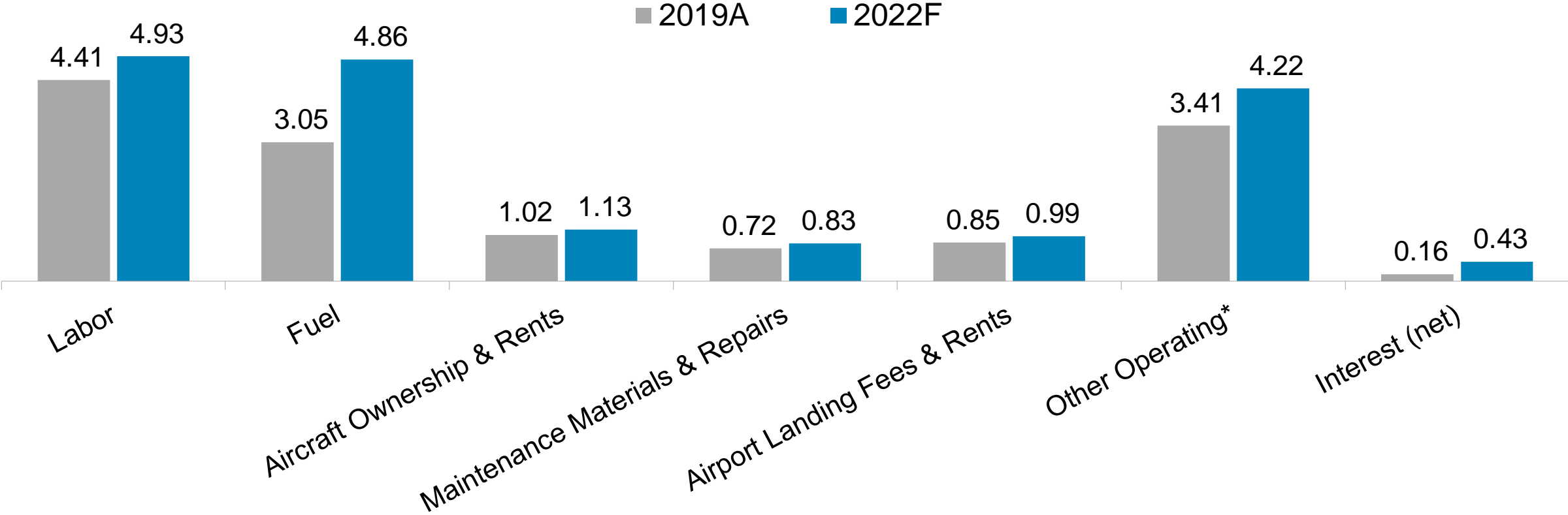
2. Related primarily to ownership of aircraft, ground support equipment, information technology, etc.

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

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

In 2022, Airlines' Unit Costs Are Estimated to Average 28% More Than in 2019
Net Interest Expense per Seat-Mile Is Projected to Rise 170%

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



Source: A4A

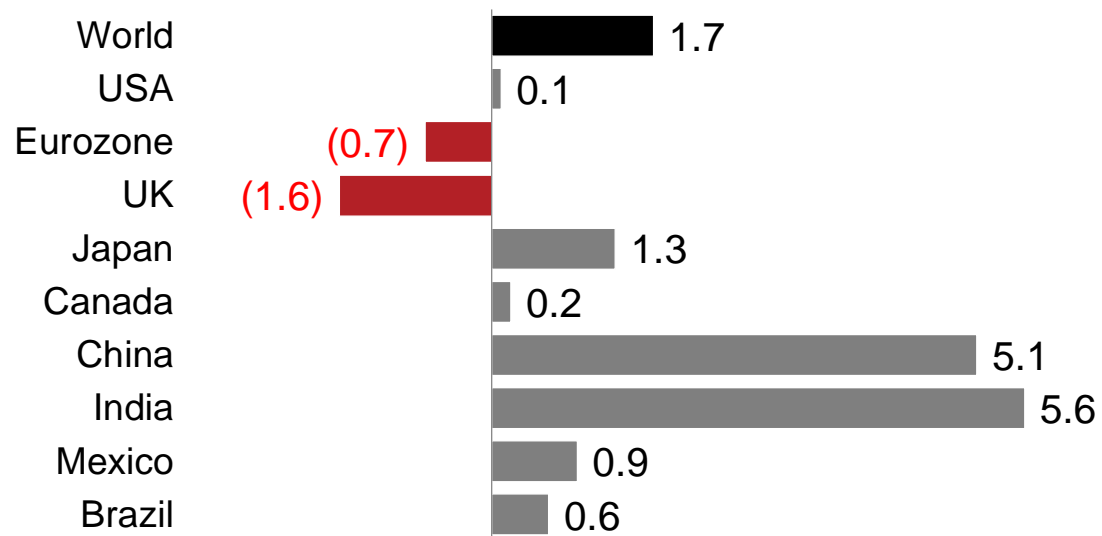
* Professional fees, food/beverage, insurance, commissions, GDS booking fees, communications, advertising, utilities, office supplies, crew hotels, payments to regional carriers, etc.

Per Wells Fargo, the *Global* Economy Will Grow Just 1.7% in 2023

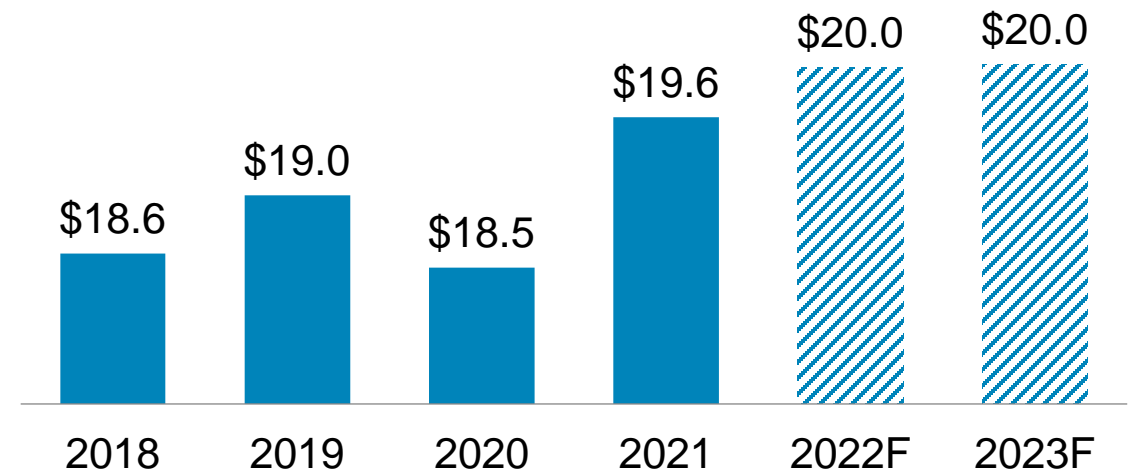
Real U.S. GDP Is Projected to Remain Flat With 2022, But Europe and the UK Will Contract

“The **uncanny staying power of the consumer** and **sustained tightness in the labor market** both have more legs than we previously thought. In recognition of that resilience, **we have pushed the timing of the eventual recession to the second half of next year.**” (Wells Fargo, Nov. 10, 2022)

Projected 2023 Real GDP Growth (%)



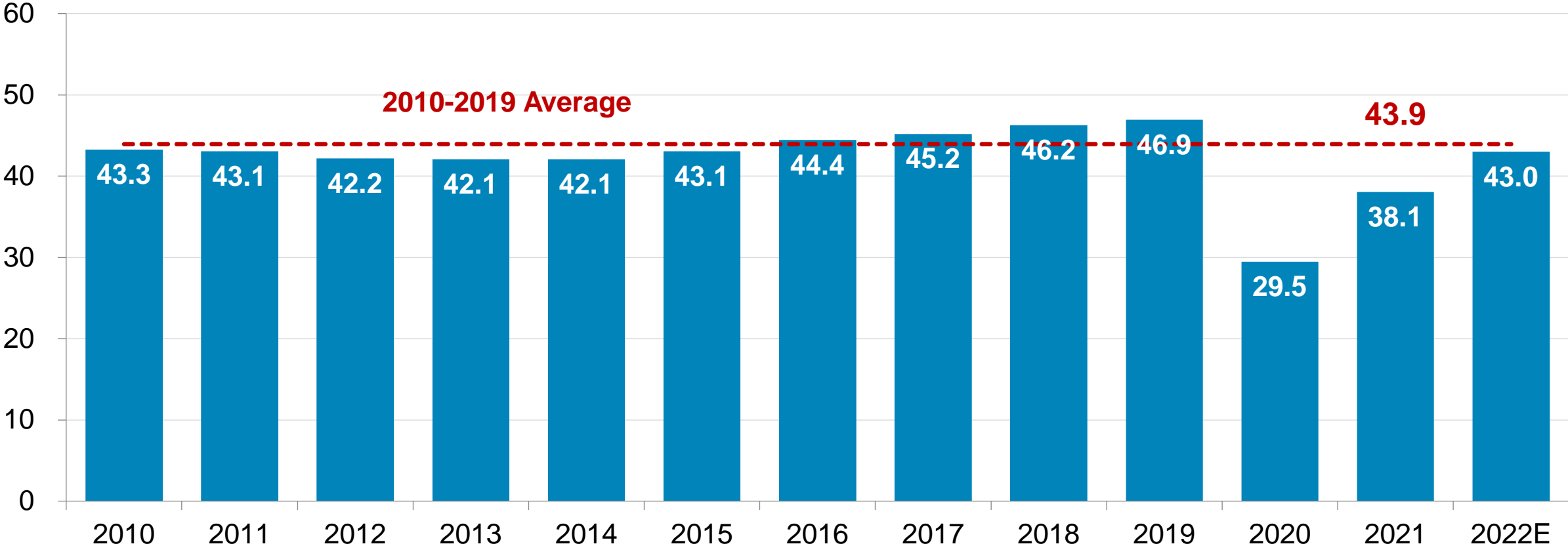
U.S. Real GDP (Trillions, \$2012)



Source: Wells Fargo (Nov. 10, 2022) and U.S. Bureau of Economic Analysis

Relative to the Size of the U.S. Economy, Domestic Airline Capacity Remains Below Pre-Pandemic Levels Due Largely to a Combination of Resource Constraints and High Input Costs

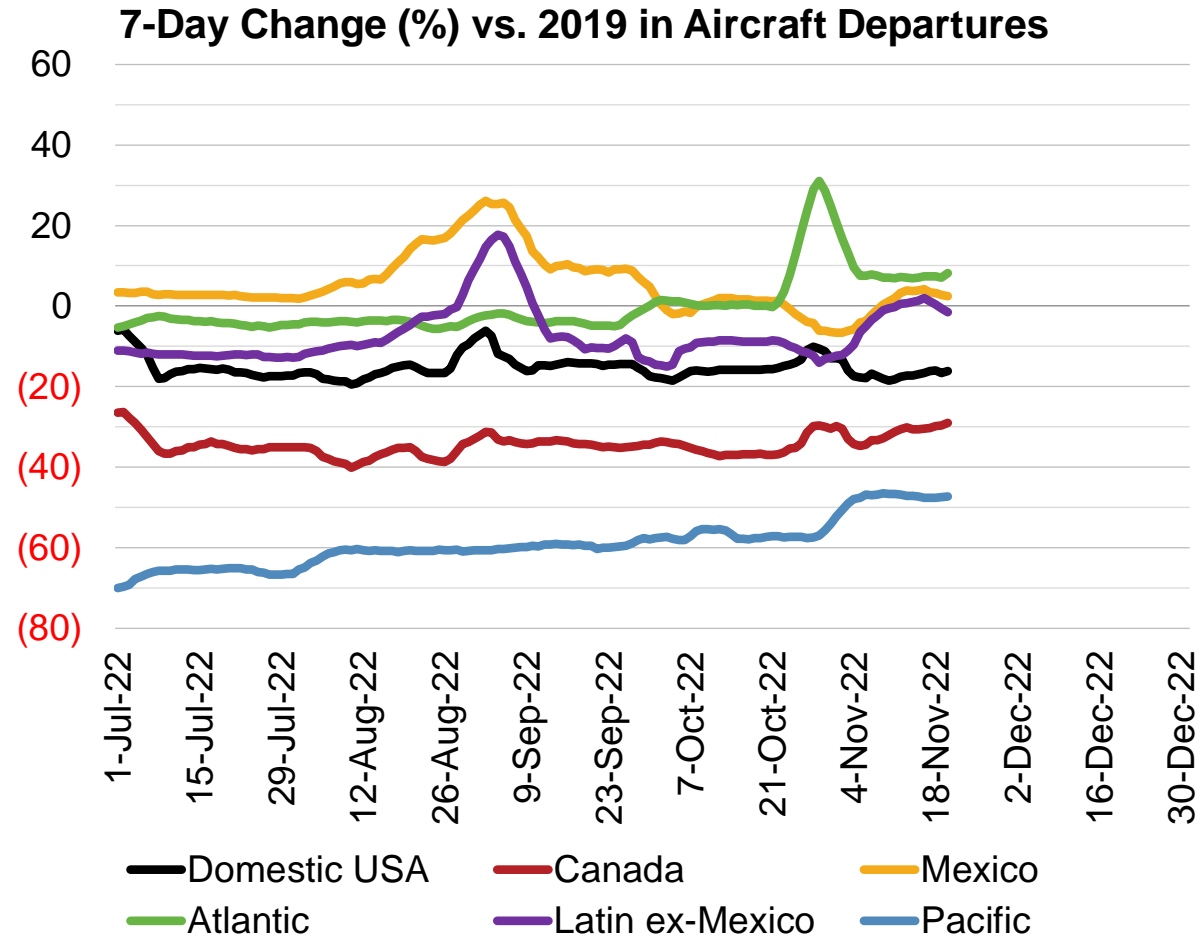
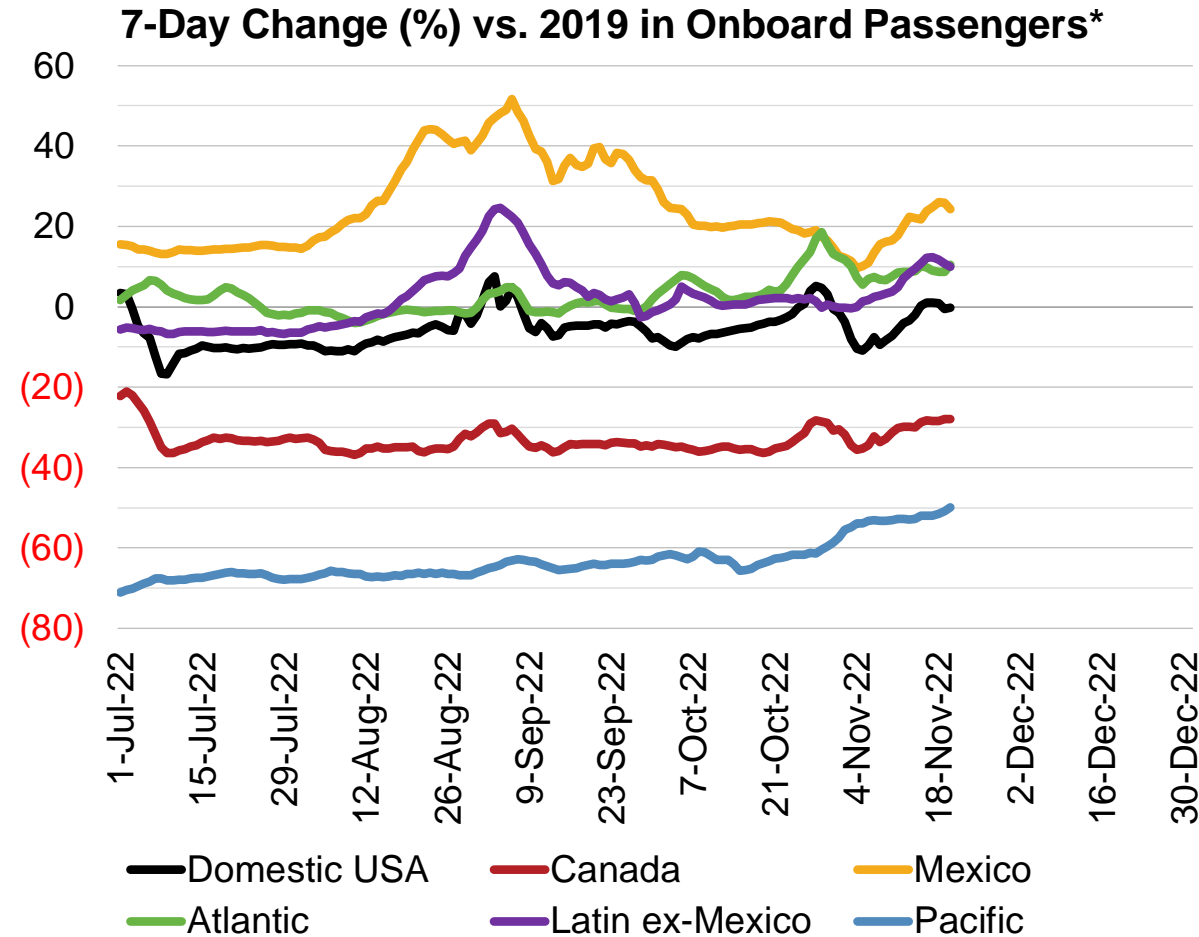
Scheduled Domestic U.S. Available Seat Miles per \$1,000 of Real* U.S. Gross Domestic Product



Sources: Bureau of Economic Analysis and Energy Information Administration for historical data; IHS Markit® (Nov. 10, 2022) and Diio by Cirium (Nov. 12, 2022) for forecasts

* Chained 2012 dollars

Nov. 14-20: A4A Airline Passenger Volumes 0.2% Below 2019 Levels, Departures 15% Lower

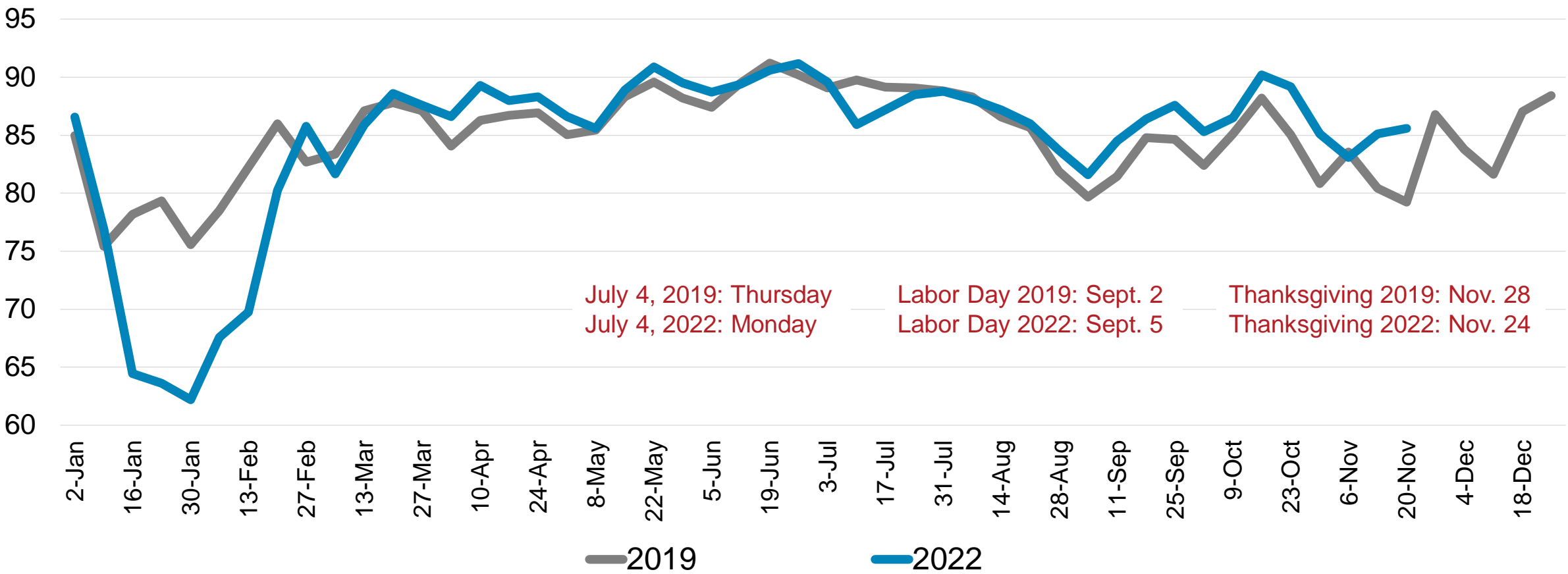


Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

* Onboard ("segment") passengers

A4A Member Domestic U.S. Load Factor Exceeding Pre-Pandemic Levels This Fall

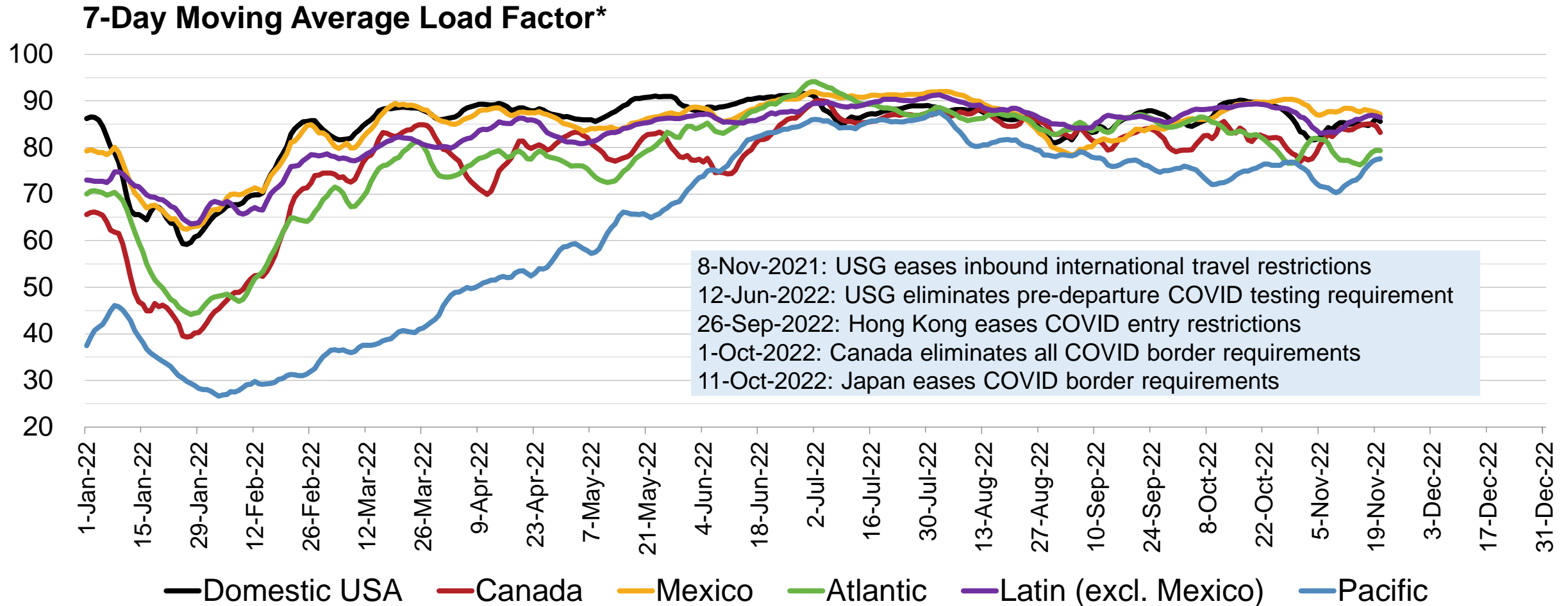
Weekly Average Domestic U.S. Load Factor* (%)



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 Load Factors Have Improved in November



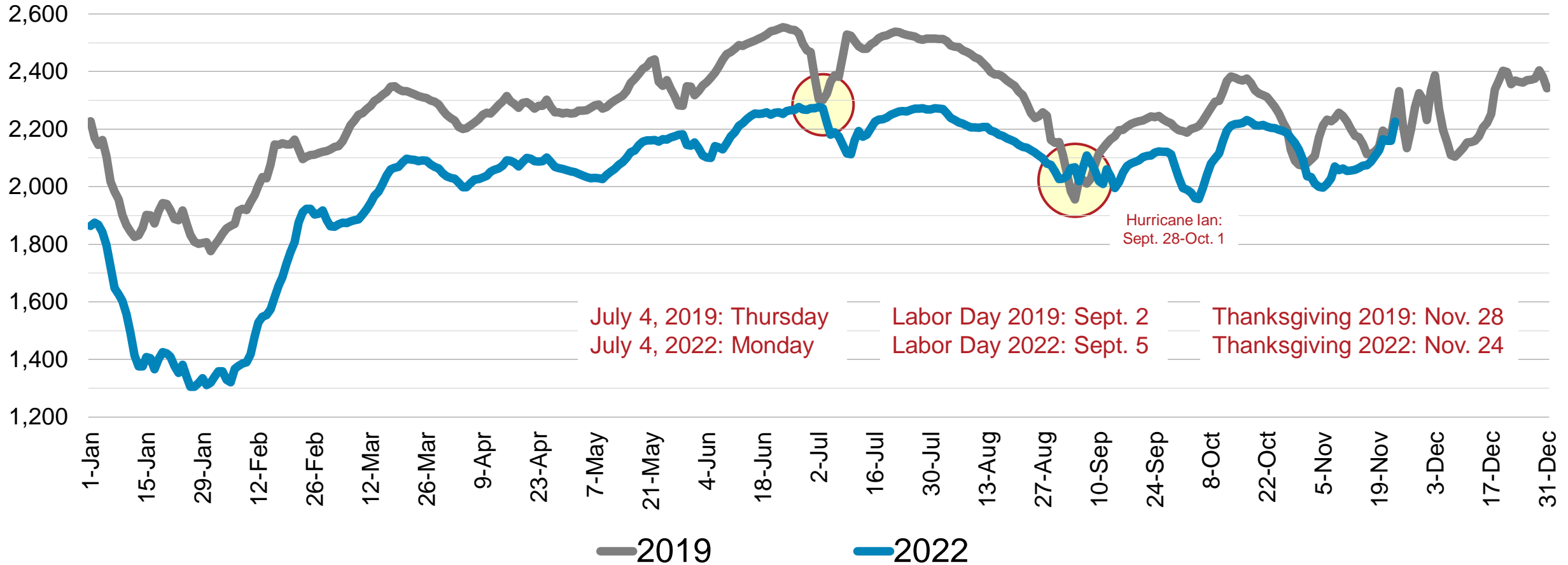
Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

* Traffic (RPMs) divided by capacity (ASMs)

In the Week Ending November 22, TSA Volumes Fell 1.2% From 2019 Levels

January-October 2022: Throughput Down 10.8% From 2019

TSA Traveler Throughput* (7-Day Moving Average, in Thousands)



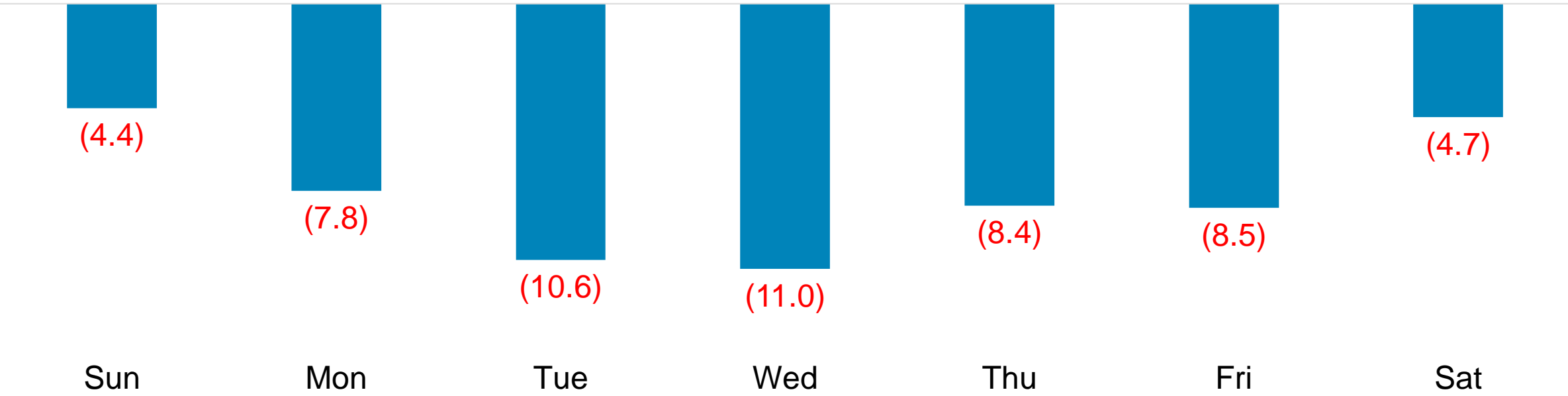
Source: Transportation Security Administration

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

TSA Pax Volumes Have Declined the Least on Weekends, Reflecting Shift Toward Leisure

Steeper Checkpoint Declines on Tuesday/Wednesday Provide Evidence of Fewer Business Flyers

Change (%) in TSA Checkpoint Volume by Day of Week — YE 10/31/2022 vs. 2017-2019

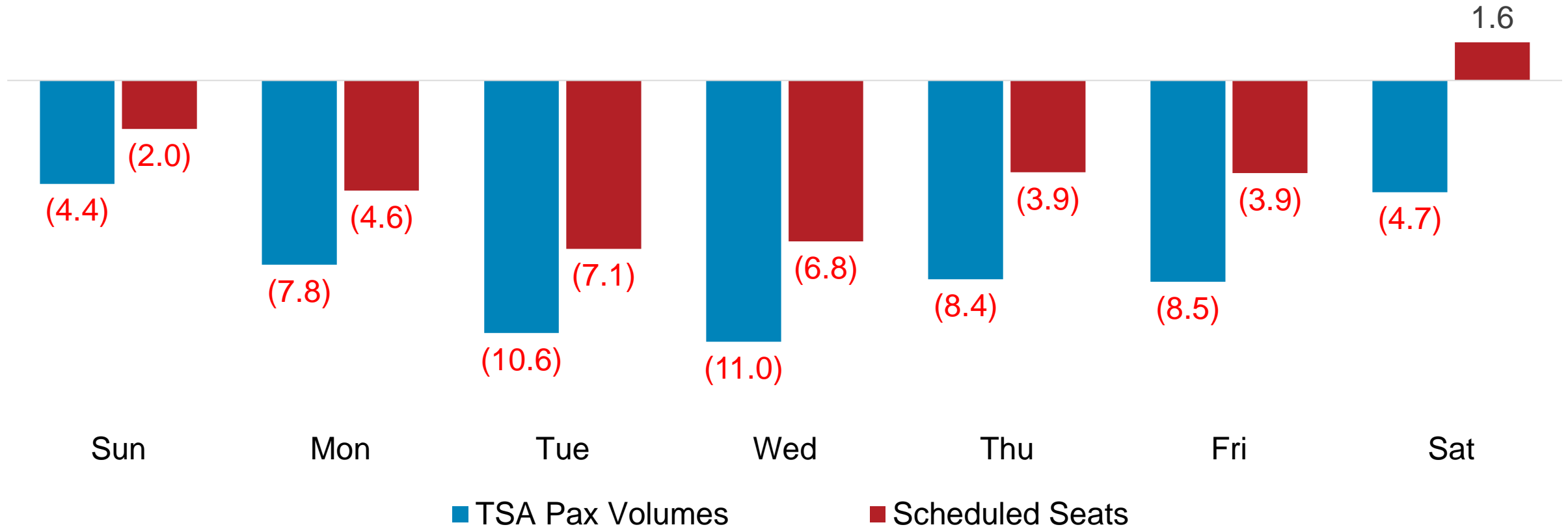


Source: Transportation Security Administration

Airlines Have Adapted Their Schedules to Reflect the Changing Mix of Travelers

Saturday Seats Are *Up*, Sunday Is Down Just 2%, Tuesday and Wednesday Are Down ~7%

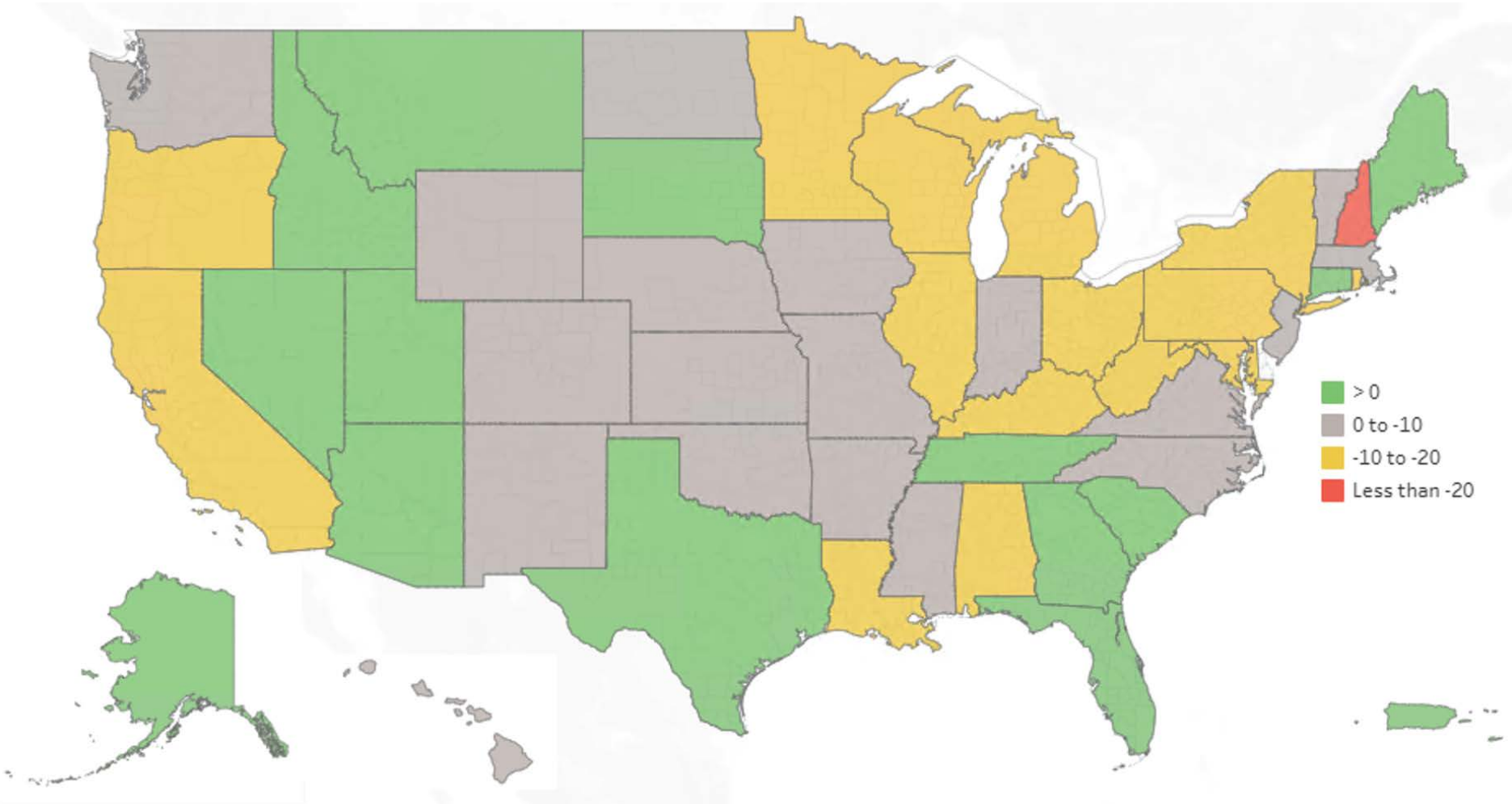
Change (%) in Volume at U.S. Airports vs. 2017-2019



Source: Transportation Security Administration (2017-2019 to YE 10/31/2022) and Cirium published schedules (2017-2019 to YE 12/31/2022) for all U.S. and non-U.S. airlines as of Nov. 4, 2022

October Checkpoint Volumes Exceeded 2019 Levels in 15 U.S. States and Territories

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

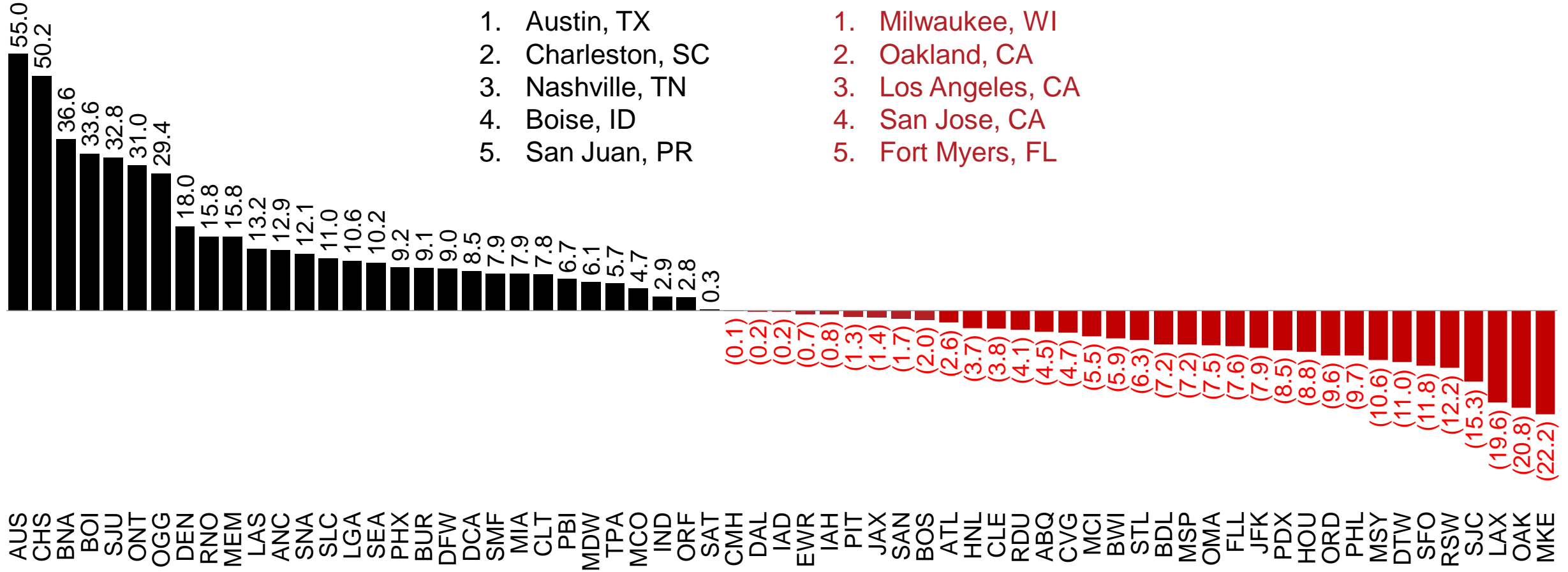


Source: Transportation Security Administration

In 1Q 2023, 16 Large/Medium U.S. Airports Are Seeing *Double-Digit* Seat Growth vs. 1Q 2019

Of the 65 Locations, 30 Are Showing Growth, While Eight Are Showing Double-Digit Reductions

Change (%) in Systemwide Scheduled Seats: 1Q23 vs. 1Q19



1. Austin, TX
2. Charleston, SC
3. Nashville, TN
4. Boise, ID
5. San Juan, PR

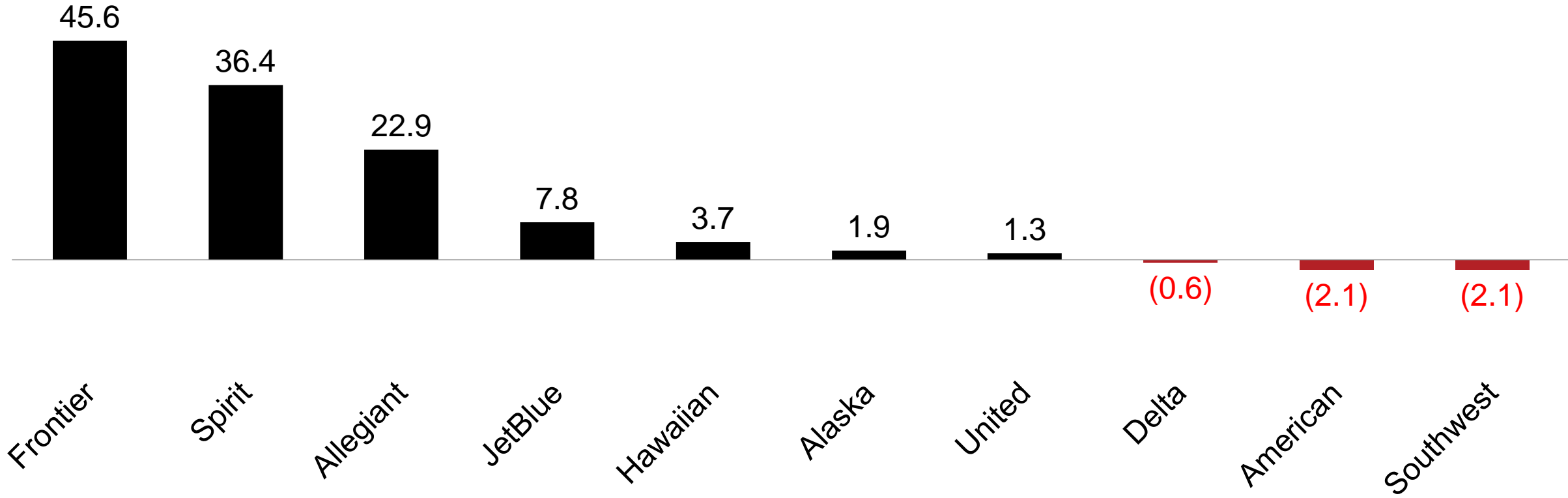
1. Milwaukee, WI
2. Oakland, CA
3. Los Angeles, CA
4. San Jose, CA
5. Fort Myers, FL

Source: Diio by Cirium published schedules (Nov. 18, 2022) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

Schedules for 1Q 2023 Show That Frontier/Spirit/Allegiant Continue to Lead Capacity Growth

American/Delta/Southwest/United Slower to Restore Capacity

Change (%) in Systemwide Scheduled Available Seat Miles: 1Q23 vs. 1Q19



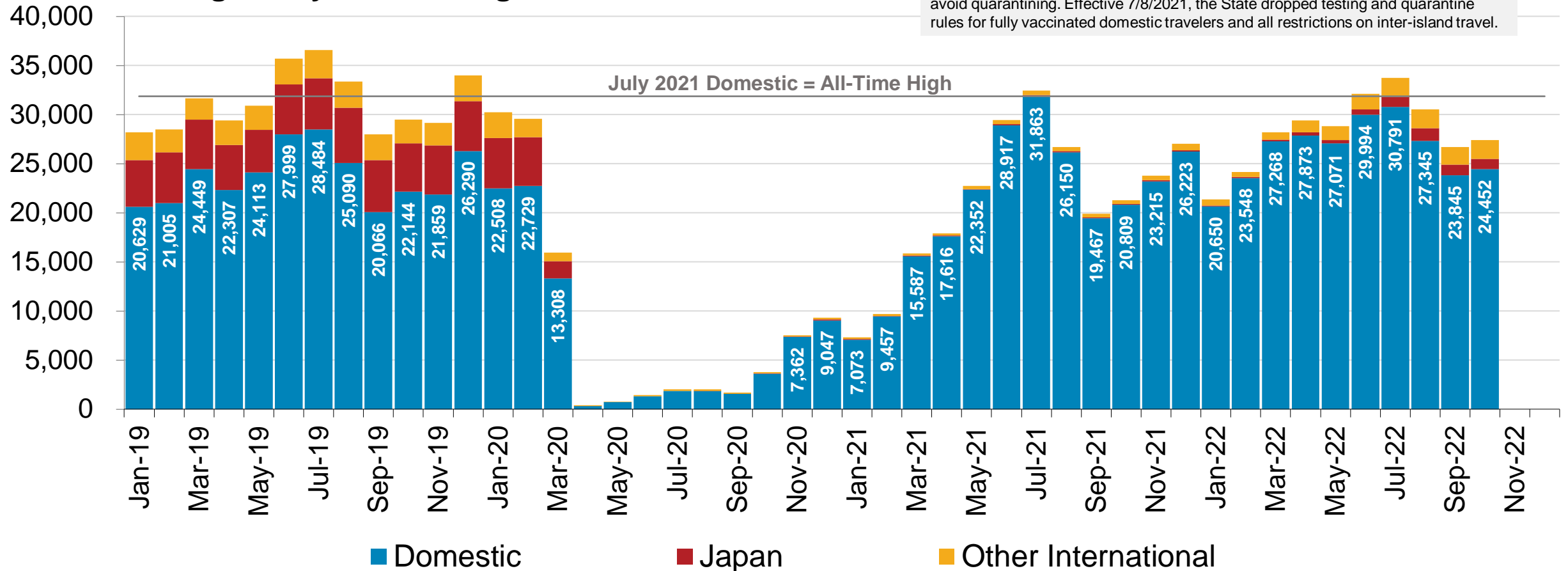
Source: Diio by Cirium published schedules (Nov. 18, 2022) for selected marketing airlines (i.e., on a consolidated basis)

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.



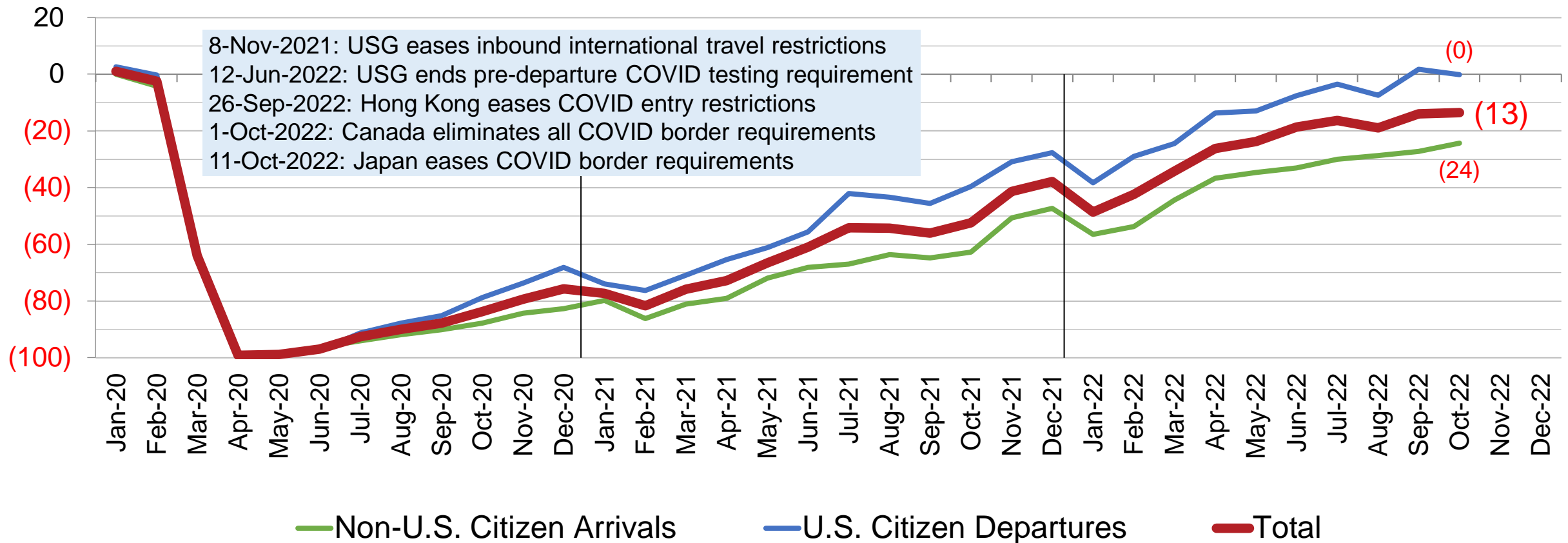
Source: Hawaii Department of Business, Economic Development & Tourism

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

In October 2022, U.S.-International Air Travel* Fell 13% Below 2019 Levels

U.S. Citizen Departures Were in Line With 2019 Levels

Change (%) vs. 2019 in Total* U.S.-International Air Passengers



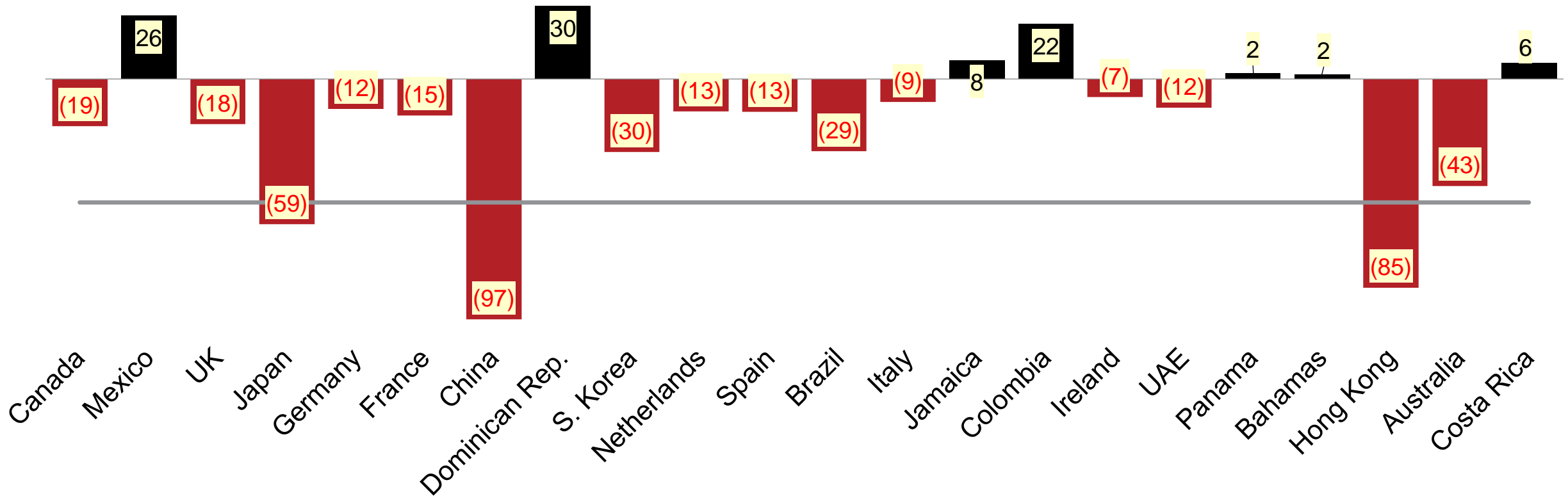
Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data

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

U.S.-China/Hong Kong/Japan Air-Travel Demand Continues to Trail 2019 Levels by > 50%

U.S.-Bahamas/Colombia/Costa Rica/D.R./Jamaica/Mexico/Panama Exceeded Pre-Pandemic Levels

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



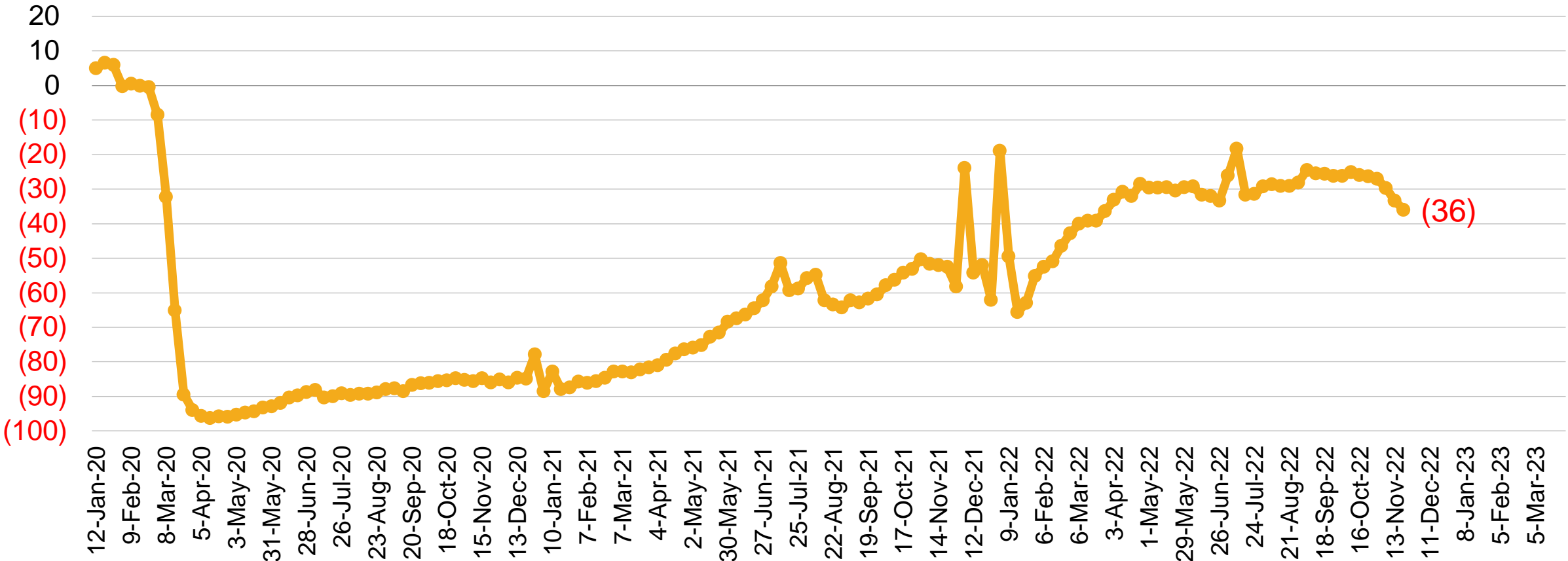
Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

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

Recovery of “Corporate” Sales Has Plateaued Over the Past Several Weeks

Down ~25-35% From 2019 Levels

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.

Top-20 Corporate Travel Programs by Amount Spent on U.S.-Booked Air: 2021 vs. 2019

2019*

1. Deloitte
2. Amazon
3. **IBM**
4. **Google**
5. **EY**
6. **PwC**
7. Apple
8. **Microsoft**
9. McKinsey
10. **Accenture**
11. Lockheed Martin
12. Boeing
13. **KPMG**
14. ExxonMobil
15. **Facebook**
16. United Technologies
17. **GE**
18. **Bank of America**
19. JPMorgan Chase
20. Disney

2021

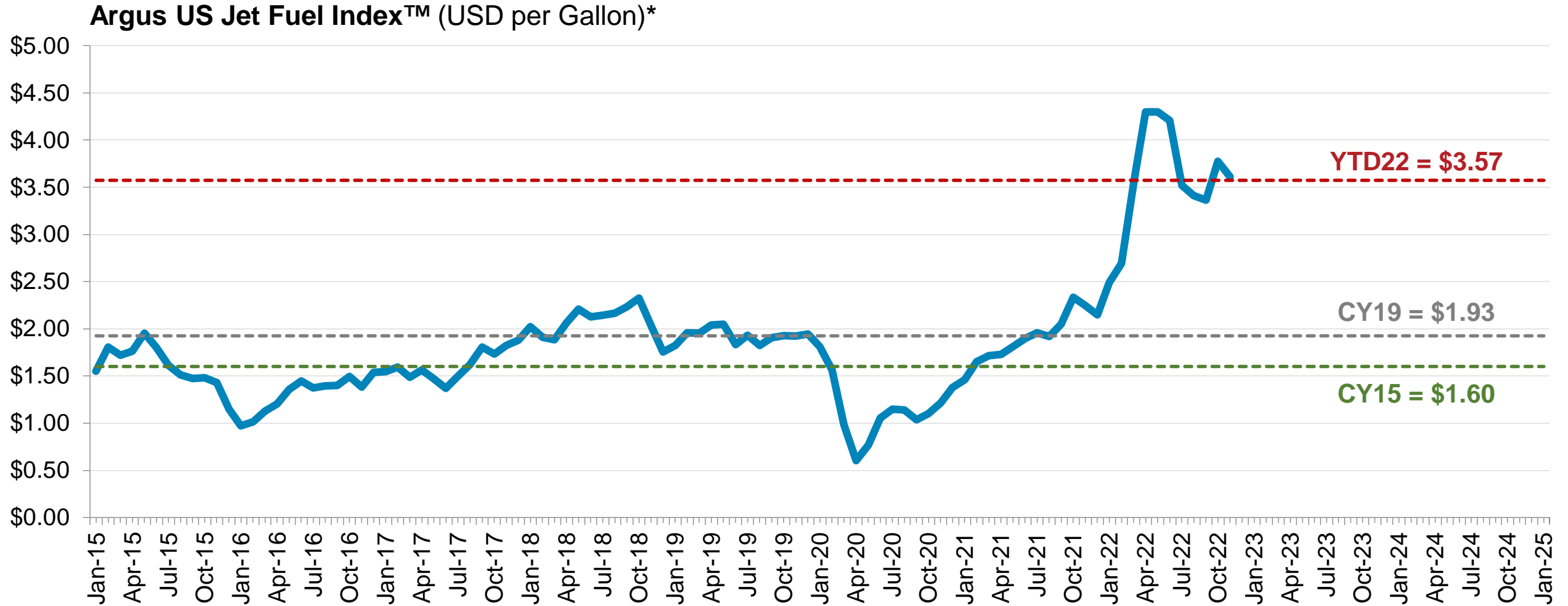
1. Amazon
2. FedEx
3. Disney
4. Lockheed Martin
5. Raytheon Technologies
6. UnitedHealth Group
7. Deloitte
8. The World Bank
9. McKinsey
10. Amgen
11. The Church of Jesus Christ of Latter-Day Saints
12. Apple
13. L3Harris
14. Siemens
15. Warner Bros. Discovery
16. ExxonMobil
17. JPMorgan Chase
18. Comcast
19. Boeing
20. General Dynamics

Source: *Business Travel News* ranking of corporate travel programs that spent the most on U.S.-booked air

* Firms in **burgundy** were in top 20 in 2019 but not 2021; United Technologies now part of Raytheon

Jet Fuel Prices Have Proven a Fierce Cost Headwind in 2022

Nationwide Spot Price Is Averaging \$3.57 — Up 85% From 2019 and 123% From 2015



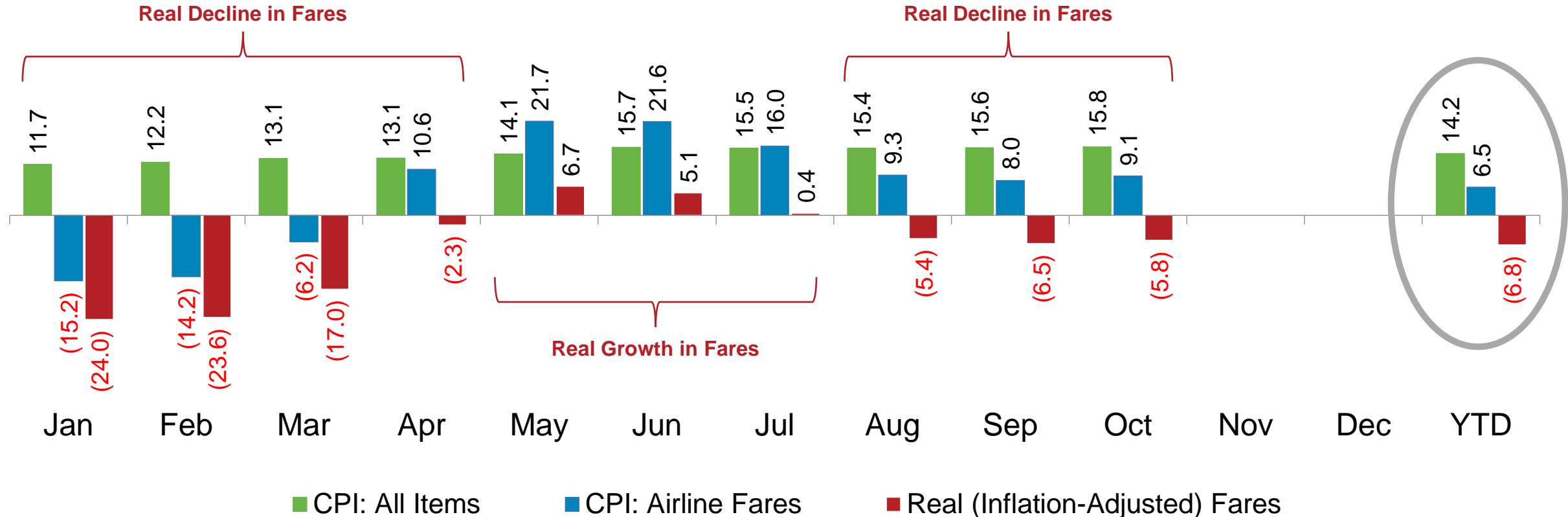
Sources: Argus Media as noted at <https://www.airlines.org/dataset/argus-us-jet-fuel-index/>

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

January-October 2022: Adjusted for Inflation, Airline Fares *Fell* 6.8% From 2019

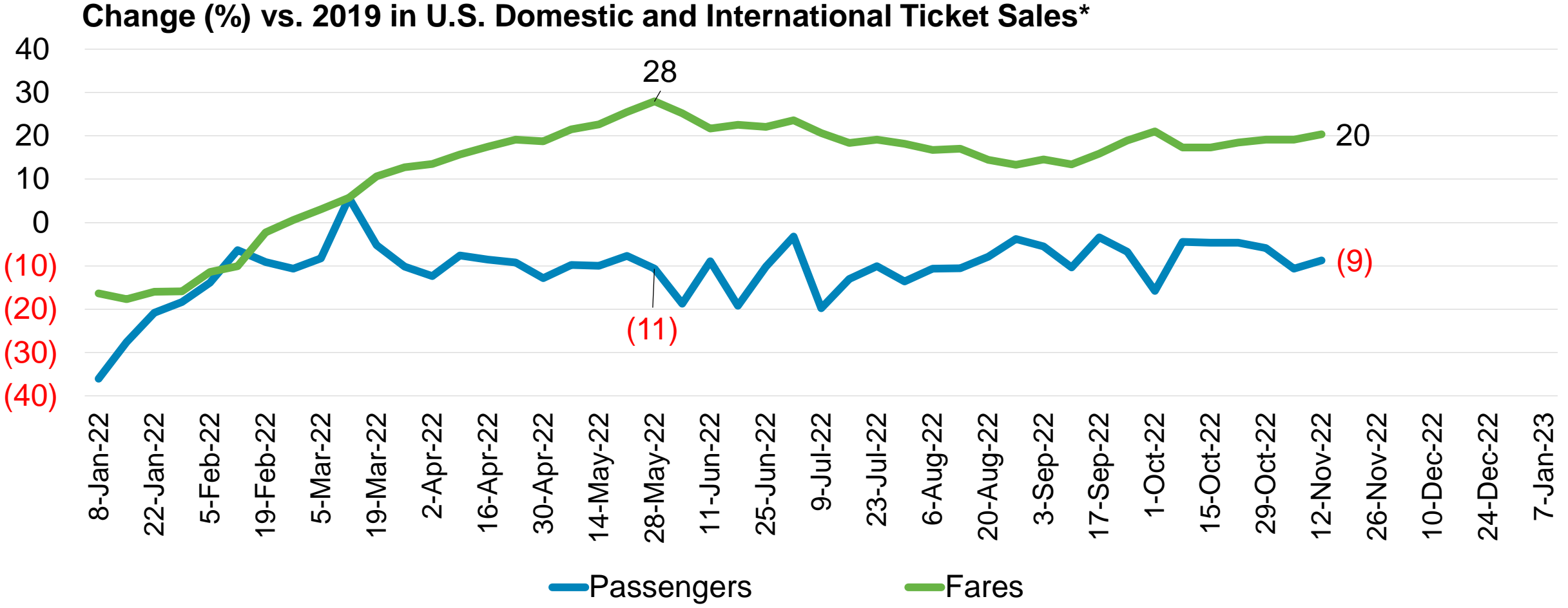
Overall U.S. Inflation of 14.2% From 2019 *Outpaced* the 6.5% Nominal Uptick in Airline Fares

Change (%) in U.S. Consumer Price Index (CPI) — 2022 vs. 2019



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>

Fare Growth Peaked in Late May, But Return of Corporate Travel Could Extend Comps to 2019



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

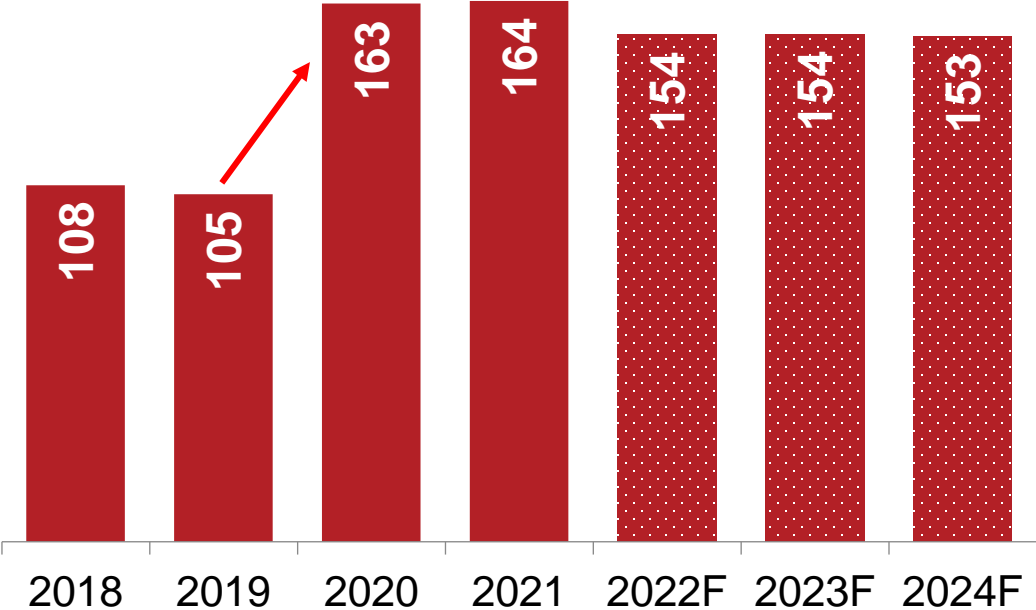
* Net tickets (gross sales minus refunds) for travel to/from U.S. airports

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

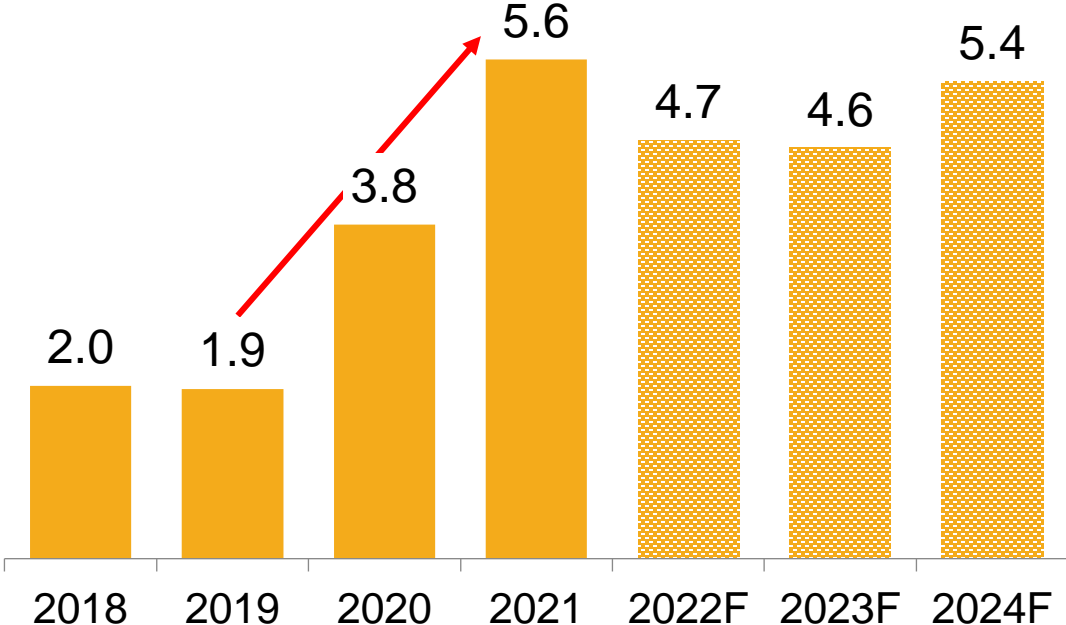
Net Interest Expense Tripled From 2019 to 2021 and Is Expected to Approach \$15B in 2022-2024

“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)



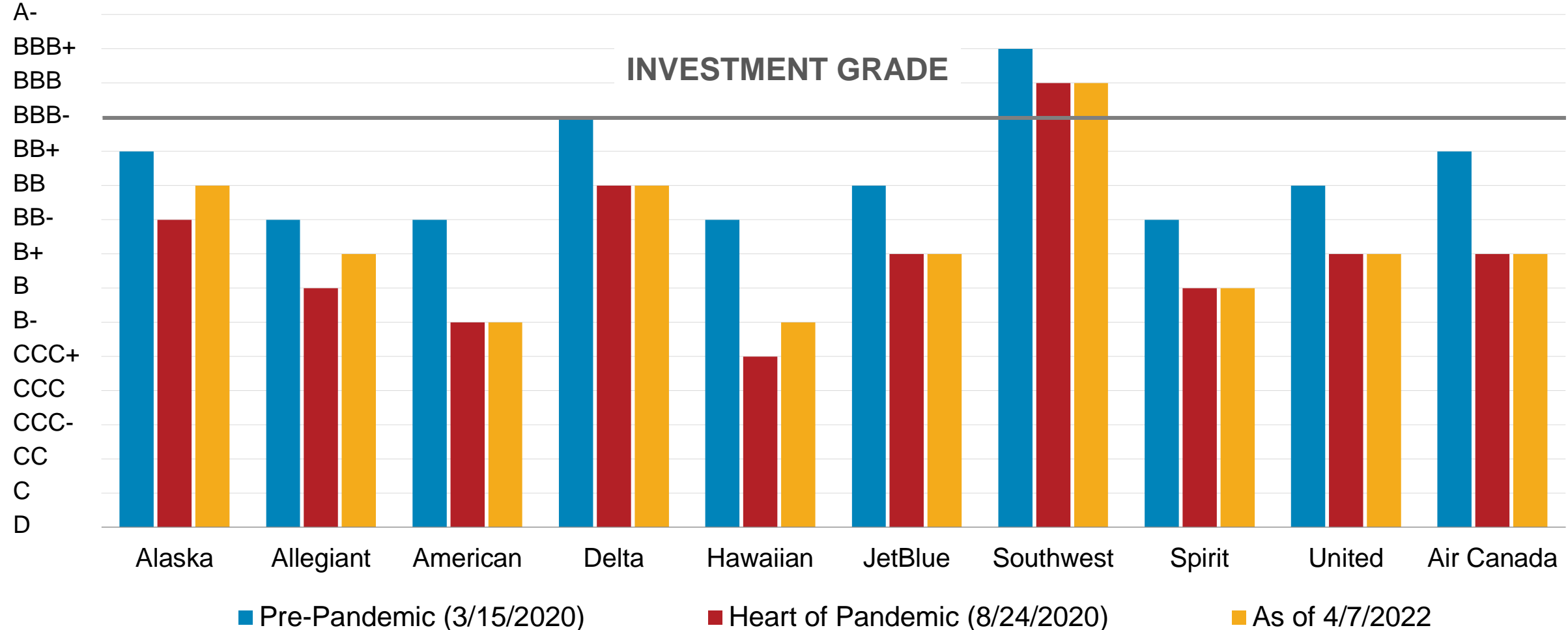
Interest Expense, Net (\$ Billions)



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

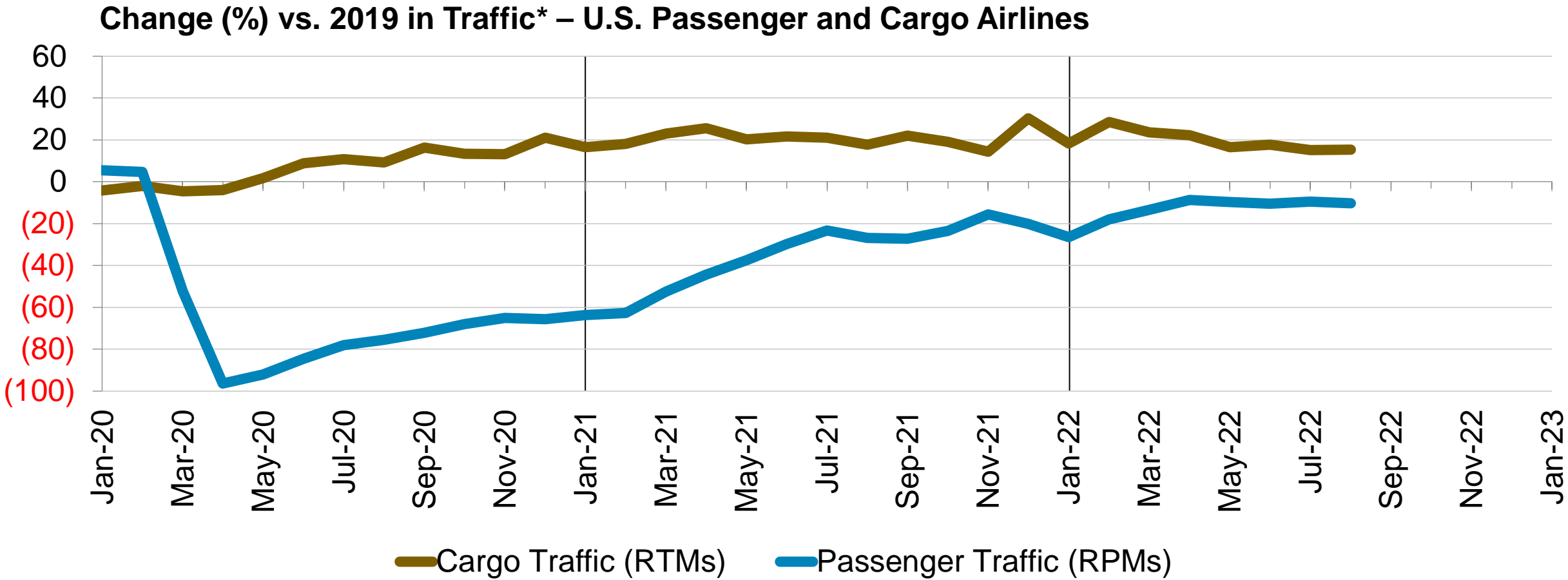
Ratings Actions Reflect Assessment of Financial Condition and Risk



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-Aug 2022 vs. Jan-Aug 2019: Cargo Traffic Rose 19%, Passenger Traffic Down 13%



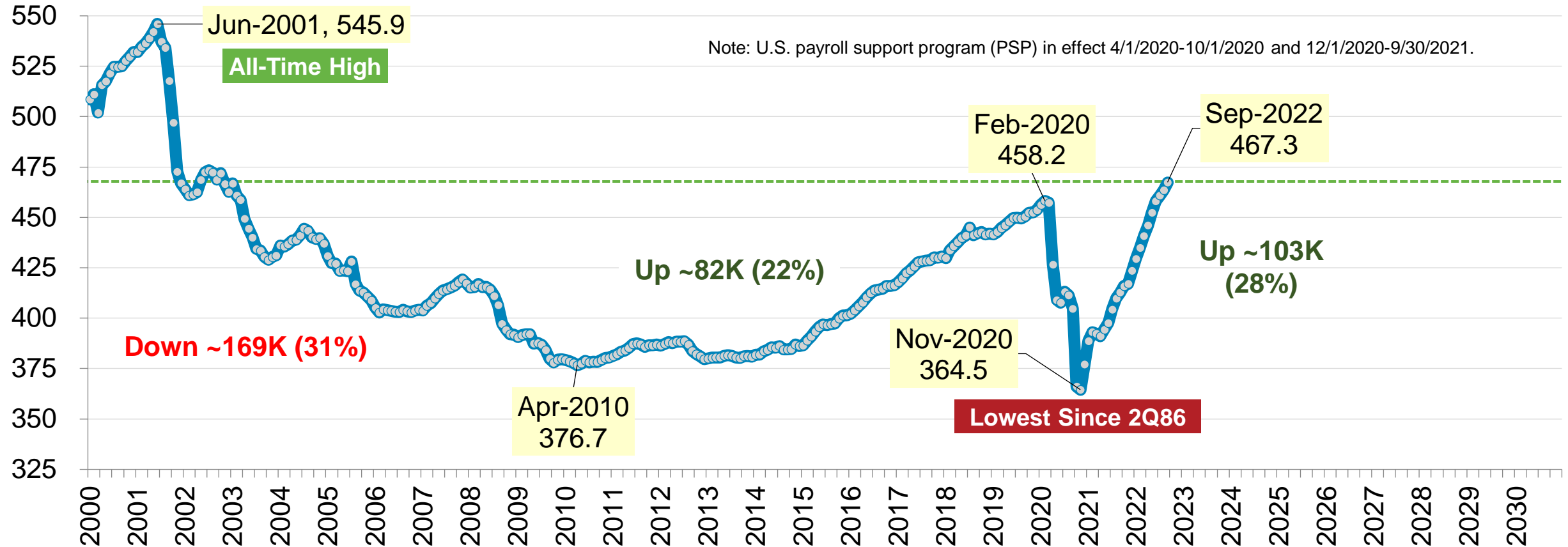
Sources: Bureau of Transportation Statistics T1 for all U.S. airlines providing scheduled and nonscheduled services

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

In September, U.S. Passenger Airlines Employed the Most FTEs in 20 Years

From Nov-2020 to Sep-2022, the Industry's Workforce Grew by 103K FTEs, or ~4,700 FTEs per Month

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

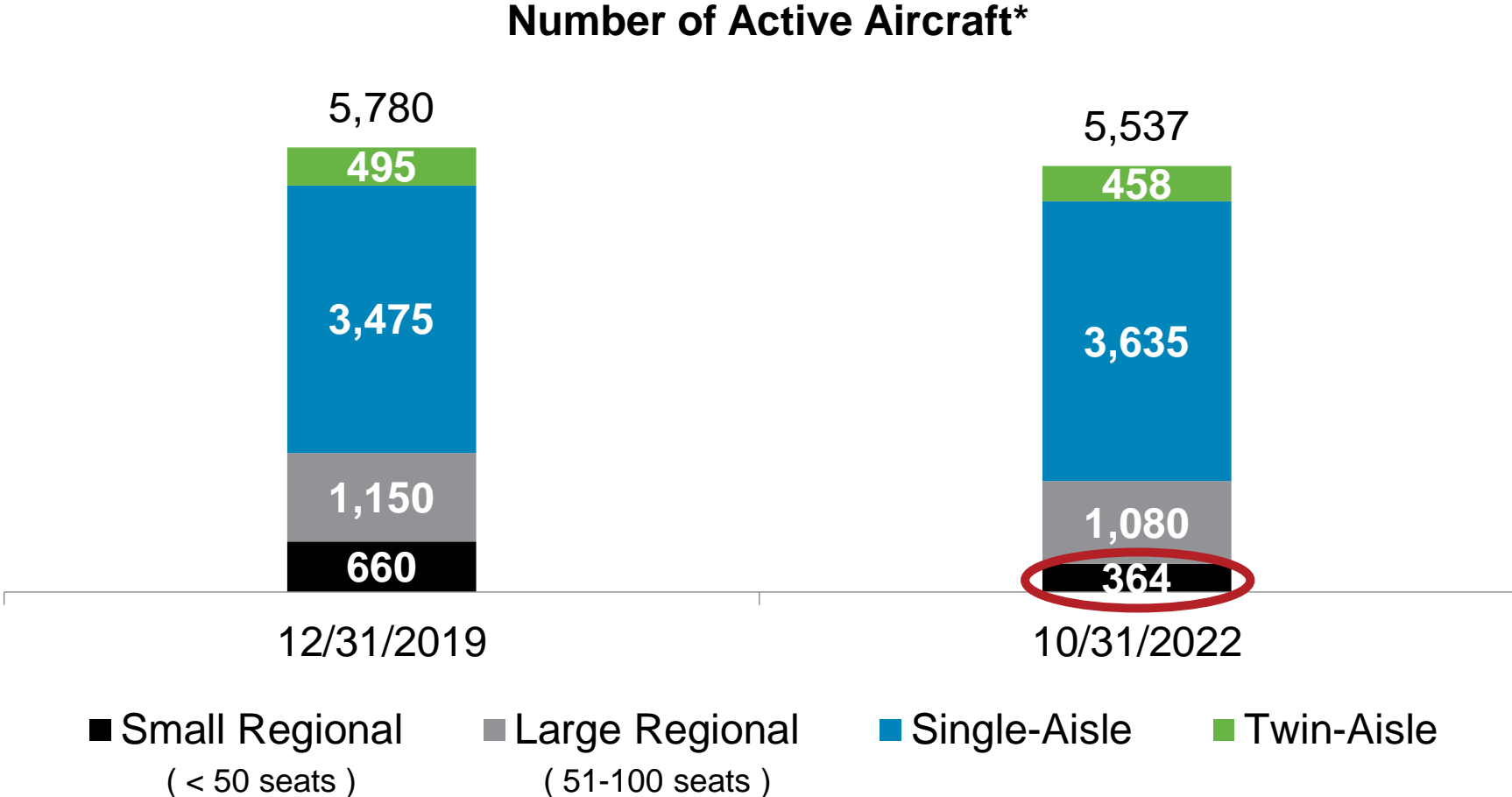


Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)

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

U.S. Passenger Airlines' Active Fleet Is Just 4% Smaller Than at End of 2019

But They Are Operating 45% Fewer Small Regional Aircraft

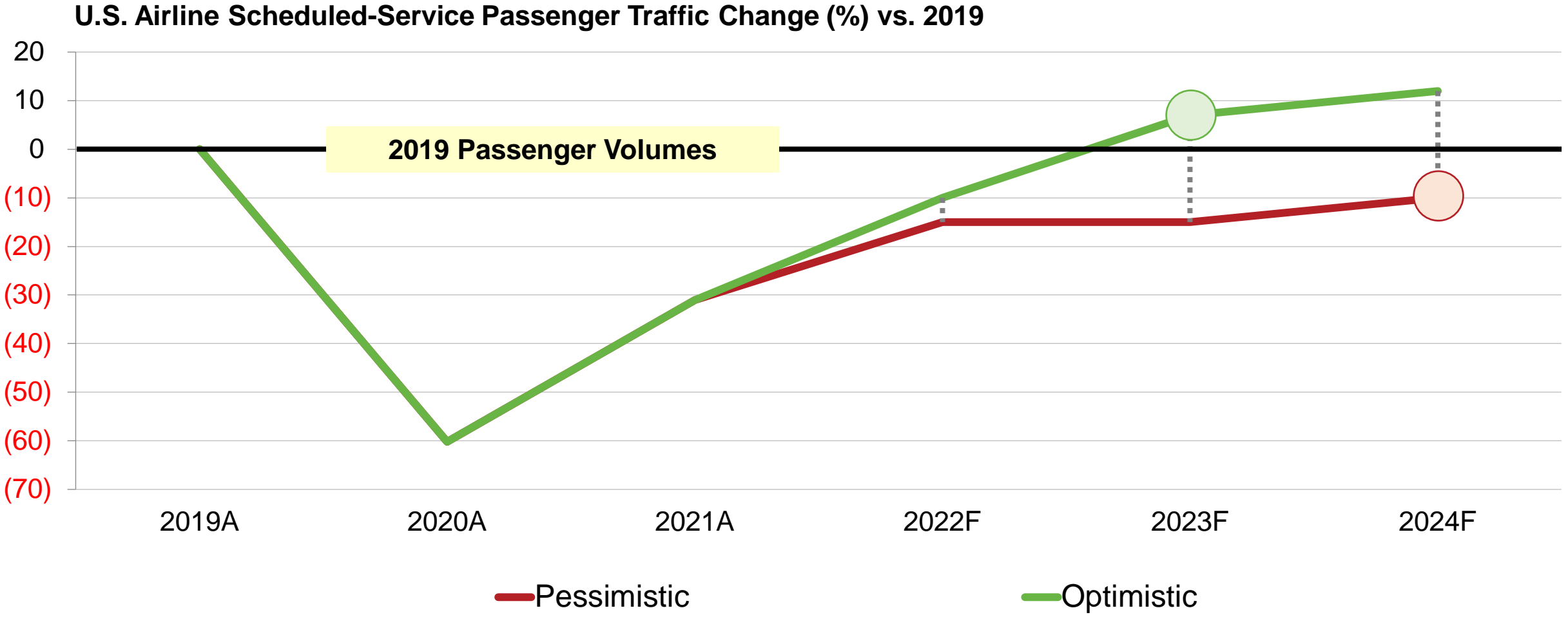


Source: Anuvu (formerly Global Eagle masFlight)

* 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



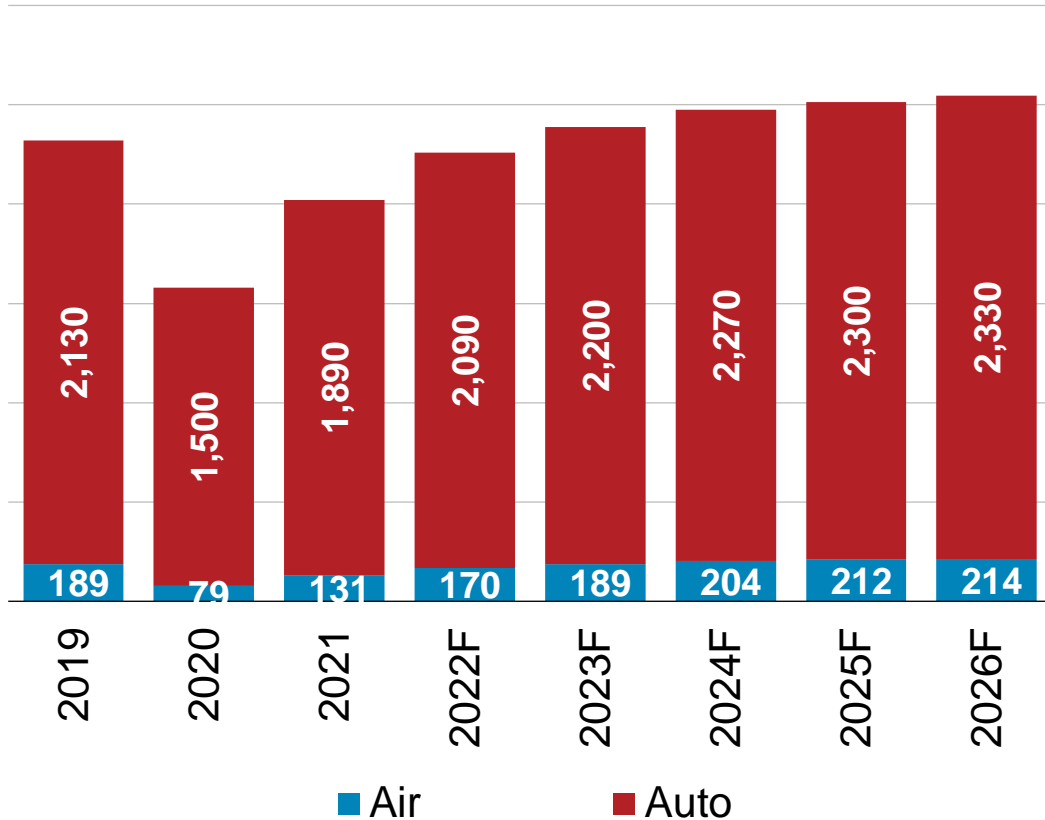
Source: A4A and various airline equity analysts

Note: A = actual; F= forecast

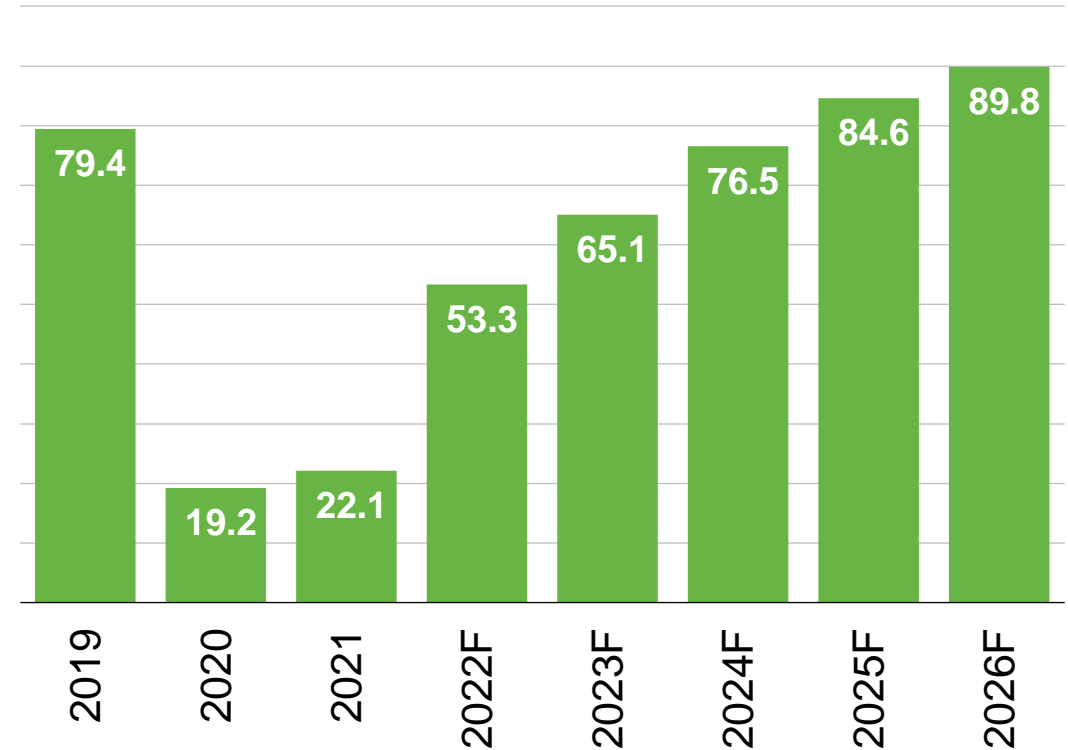
The U.S. Travel Association Projects Domestic Air Trips to Recover by 2023

Recovery of International Arrivals Delayed Until 2025

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



International Arrivals* (Millions)

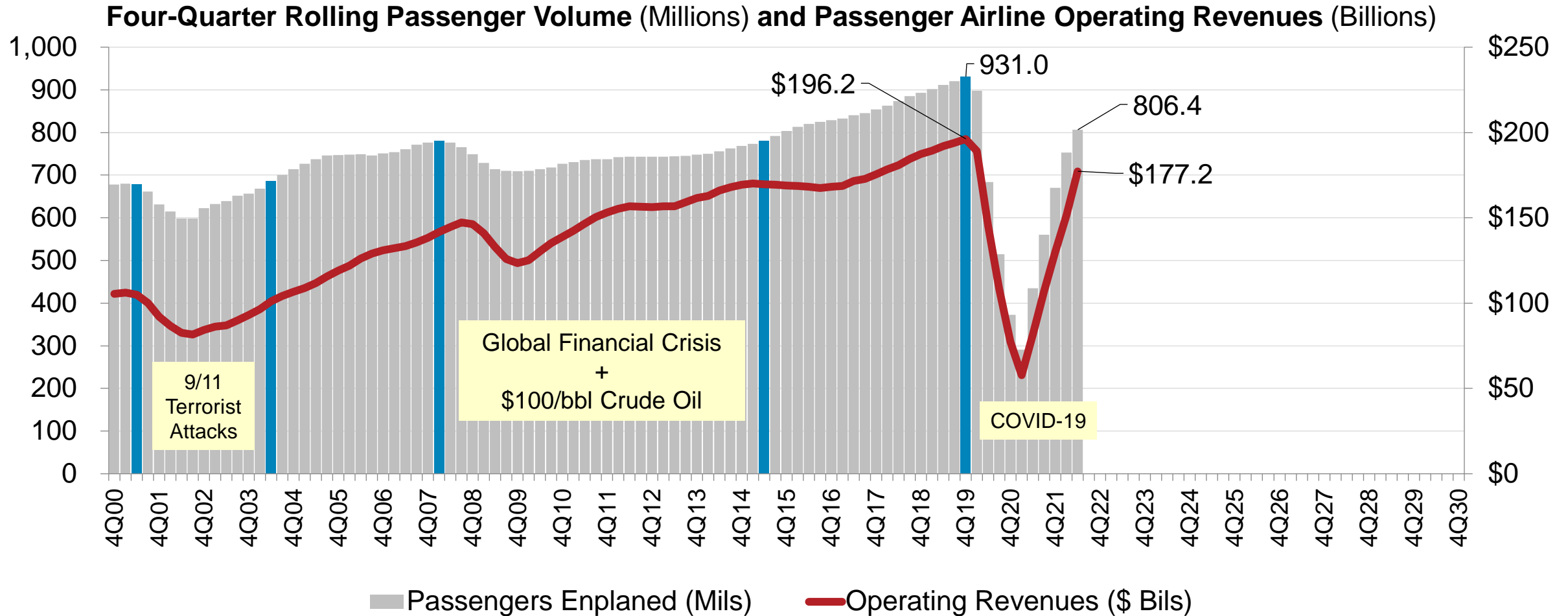


Sources: Tourism Economics and U.S. Travel Association (June 16, 2022)

* 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



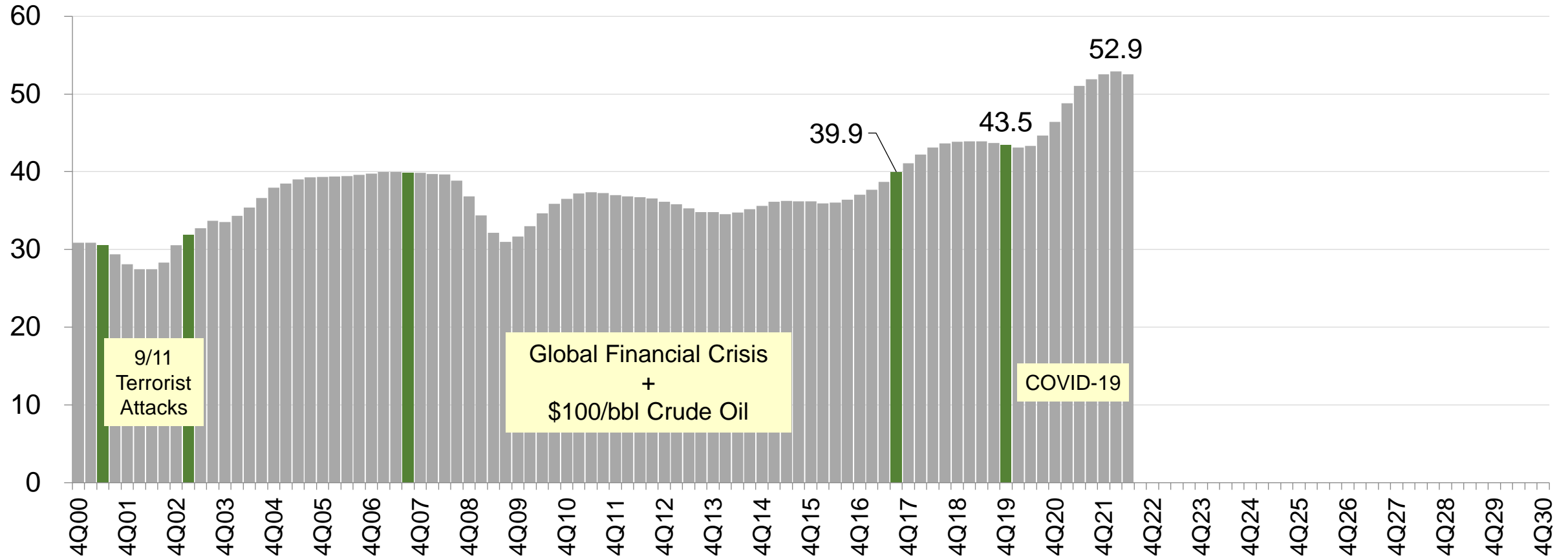
Source: A4A Passenger Airline Cost Index, BTS (Form 41 Schedule T1)

* 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

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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