Industry Review: Allocating Capital to Benefit Customers, Employees and Investors

Updated November 12, 2022

http://airlines.org/dataset/a4a-presentation-industry-review-and-outlook/
U.S. Passenger and Cargo Airlines Facilitate the Safe and Efficient Movement of People and Goods Worldwide, 2019 Facts and Figures

Almost 750,000 direct employees

Carrying 2.5M passengers per day to/from nearly 80 countries

Powering 28,000 flights per day across the globe

Moving 58,000 tons of cargo per day to/from more than 220 countries

Sources: A4A, Bureau of Transportation Statistics, Diio by Cirium and company literature
Contents

» Core
  » Trends in Traffic, Fares, Operations and Financial Performance
  » Initiatives to Improve Profitability
  » Affordability, Competition and Access to Air Travel
  » Reinvestment in People and Product
  » Customer Satisfaction

» APPENDIX
As Real Airfares Plunged Since Deregulation, Growth in Flyers Sharply Exceeded Population
Ancillary Services Included, 2021 Domestic Air Travel Was ~55% Cheaper Than in 1979

**Domestic Round Trip (in 2019 Dollars)**

- Fare+Fees
- Possible Trips on Disposable Income

**Passengers per Capita Up 2.3x (+129%)**

- Per Capita
- Sched Pax
- U.S. Pop

Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Bureau of Transportation Statistics (DB1B via Airline Data Inc. and T1 scheduled service for U.S. airlines)
As Air Travel Has Become Safer and More Accessible, More Americans Have Taken to the Skies
90% of the U.S. Population Has Flown Commercially

Share (Percent) of U.S. Adult Population That Flew...

Sources: Historical A4A air travel surveys conducted by Gallup and Ipsos
Even in Best Years, Airline Profitability (Pre-Tax Margin) Lags the U.S. Corporate Average

Pre-Tax Profit Margin (%) Gap Widened in 2016-2018, But Narrowed in 2019

Source: ATA Annual Reports (1970-1976), A4A Passenger Airline Cost Index (1977-present); Bureau of Economic Analysis

Note: Recessions highlighted in gray
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 (%)

<table>
<thead>
<tr>
<th>Company</th>
<th>2017-2019</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>McDonald’s</td>
<td>34.5</td>
<td>39.3</td>
</tr>
<tr>
<td>Rails*</td>
<td>33.4</td>
<td>38.1</td>
</tr>
<tr>
<td>Apple</td>
<td>30.9</td>
<td>31.5</td>
</tr>
<tr>
<td>Disney</td>
<td>25.5</td>
<td>20.5</td>
</tr>
<tr>
<td>Hotels*</td>
<td>20.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Starbucks</td>
<td>18.7</td>
<td>18.5</td>
</tr>
<tr>
<td>All USA</td>
<td>15.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Chipotle</td>
<td>6.0</td>
<td>10.8</td>
</tr>
<tr>
<td>Airlines</td>
<td>9.6</td>
<td>(2.6)</td>
</tr>
</tbody>
</table>

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
Average Jet-Fuel Prices for U.S. Airlines Are Expected to Reach an All-Time High in 2022

Source: Bureau of Transportation Statistics (all U.S. carriers, systemwide scheduled and nonscheduled services) and EIA (forecast)
For U.S. Airlines, the Price of Oil* Is a Significant Determinant of Capacity Growth
When Fuel Costs Decline and Finances Improve, Growth Accelerates

![Graph showing the relationship between Domestic Airline Capacity (ASMs) and U.S. Economy (Real GDP) from 2005-2019.](image)

**Domestic Airline Capacity (ASMs)**

**U.S. Economy (Real GDP)**

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

* Brent crude oil in dollars per barrel, in parens
In 2019, U.S. and Foreign Airlines Offered a Record 3.16M Daily Seats From U.S. Airports

In 2022, U.S. Airports Are Seeing ~14% Fewer Flights and ~7% Fewer Seats Than in 2019

Sources: Diio by Cirium published schedules as of Oct. 28, 2022, for all U.S. and non-U.S. airlines
Scheduled Flights From Small Community U.S. Airports* Up 10 Percent From 2015 to 2019
Flights Up 14 Percent at “Small Hub” Airports and 6 Percent at “Nonhub” Airports

<table>
<thead>
<tr>
<th>Year</th>
<th>FAA Small Hub Airport</th>
<th>FAA Nonhub Primary Airport</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3,707</td>
<td>2,805</td>
</tr>
<tr>
<td>2010</td>
<td>3,072</td>
<td>2,372</td>
</tr>
<tr>
<td>2015</td>
<td>2,458</td>
<td>2,199</td>
</tr>
<tr>
<td>2019</td>
<td>2,801</td>
<td>2,322</td>
</tr>
</tbody>
</table>

Notes: Recession (Dec-2007–Jun-2009); FAA pilot qualification (1,500-hour) rule effective Jul-2013; pilot flight/duty/rest rule effective Jan-2014

* Per https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/categories/, U.S. airports with less than 0.25% of annual passenger boardings

Sources: Dii by Cirium published schedules as of Jan. 10, 2020, for all airlines providing scheduled passenger service from U.S. airports to all destinations

airlines.org
Airlines Have Deployed Larger Aircraft, and Mainline-Only Carriers Have Grown
Regionals Account for 38% of Scheduled Domestic Departures in 2022; 62% of Those Are > 50 Seats

Source: Diio by Cirium published schedules as of Oct. 7, 2022

* Numbers may not add to 100 due to rounding
All U.S. Airlines Have Migrated to Larger (or Denser) Aircraft Domestically
Global Network Carriers Tend to Have Fewer Seats per Domestic Flight, ULCCs the Most

Average Seats per Domestic Departure by Marketing Airline*

Source: Diio by Cirium schedules as of Oct. 7, 2022, for selected marketing airlines
* Includes flights operated by regional/express airline partners
Domestically, Network Carriers Have Upgauged Mainline and Regional Operations
Delta and United Have Significantly Boosted the Share of Mainline Flying

Source: Diio by Cirium published schedules as of Oct. 7, 2022
Preceding the Pandemic, Nonstop Domestic Service Was More Prevalent Than Ever Before
Share of Busiest Markets With a Nonstop Service Option Rose From 69% in 1990 to 90% in 2019

Source: Compass Lexecon analysis of DOT O&D, OAG and T-100 and Form 298C

Share (%) of Top 2000 Domestic O&D Markets (Airport Pairs) With Nonstop Service*

Passengers per Day Each Way (PDEW) in #1 and #2000 Domestic O&D Markets*

<table>
<thead>
<tr>
<th>Year</th>
<th>Market #1</th>
<th>PDEW</th>
<th>Market #2000</th>
<th>PDEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>HNL-OGG</td>
<td>3,266</td>
<td>MEM-MKE</td>
<td>32</td>
</tr>
<tr>
<td>1995</td>
<td>HNL-OGG</td>
<td>3,784</td>
<td>PHX-ROC</td>
<td>35</td>
</tr>
<tr>
<td>2000</td>
<td>HNL-OGG</td>
<td>3,261</td>
<td>HOU-IND</td>
<td>51</td>
</tr>
<tr>
<td>2005</td>
<td>FLL-LGA</td>
<td>2,715</td>
<td>AUS-BDL</td>
<td>56</td>
</tr>
<tr>
<td>2010</td>
<td>JFK-LAX</td>
<td>3,239</td>
<td>ALB-DFW</td>
<td>54</td>
</tr>
<tr>
<td>2015</td>
<td>JFK-LAX</td>
<td>3,860</td>
<td>DTW-SAV</td>
<td>57</td>
</tr>
<tr>
<td>2019</td>
<td>JFK-LAX</td>
<td>4,292</td>
<td>CLT-PWM</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: Compass Lexecon analysis of DOT O&D, OAG and T-100 and Form 298C

* Top 2000 markets accounted for 80% of domestic O&D passengers in 2019; nonstop = as at least 40 round-trip flights in any quarter
From 2000-2019, the Number of Competitors per Domestic Trip Rose From 3.33 to 3.46
In 2019, the 500 Busiest City Pairs—Accounting for 62% of Passengers—Averaged 3.8 Competitors

Made possible by 1) lack of entry barriers allowing rapid nationwide expansion of lower-cost carriers and 2) mergers of complementary networks enabling large network carriers to offer competitive connecting service on more city pairs and new nonstop service into markets they previously did not serve.

Average Number of Competitors* in Domestic U.S. Markets (O&D City Pairs)

Note: In 2019, the market share of the smallest competitor for each city pair with at least two competitors averaged 13.4%. The median was 17.6%*

Source: Compass Lexecon analysis of DOT O&D Survey data (DB1B) * Per DOT and GAO, carrying at least 5% of O&D passengers in the city pair; average number of competitors is passenger-weighted across city pairs.
Global Network Carriers Have Grown Aggressively at Each Other’s Hubs
Competitive Hub Growth Averaged 61% From 2010 to 2019 – Almost Three Times U.S. GDP Growth

Domestic Capacity* Growth (%) at Each Other’s Hubs: 2010 to 2019

Source: Compass Lexecon analysis of OAG published schedules

* Domestic scheduled available seat miles (ASMs)
## Competition in Sample City Pairs: Airline Share of O&D Passengers in 2021 vs. 2007

More Diversity of Business Models and Change in Distribution of Market Share*

### Source:
DOT Data Bank 1B (nondirectional data) via Diio by Cirium

<table>
<thead>
<tr>
<th>City Pairs</th>
<th>2007</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA (BUR/LAX/LGB)-Seattle (PAE/SEA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alaska</td>
<td>67.4</td>
<td>61.1</td>
</tr>
<tr>
<td>JetBlue</td>
<td>15.1</td>
<td>25.6</td>
</tr>
<tr>
<td>Southwest</td>
<td>7.2</td>
<td></td>
</tr>
<tr>
<td>American</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>Boston-Cleveland (CAK/CLE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continental</td>
<td>62.6</td>
<td>43.4</td>
</tr>
<tr>
<td>JetBlue</td>
<td>30.2</td>
<td>42.7</td>
</tr>
<tr>
<td>Delta</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>Rochester, NY-South Florida (FLL/MIA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AirTran</td>
<td>33.9</td>
<td>34.0</td>
</tr>
<tr>
<td>US Airways</td>
<td>22.8</td>
<td>24.9</td>
</tr>
<tr>
<td>Delta</td>
<td>18.5</td>
<td>21.9</td>
</tr>
<tr>
<td>JetBlue</td>
<td>14.7</td>
<td>10.7</td>
</tr>
<tr>
<td>Frontier</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>Chicago (MDW/ORD)-Sacramento</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United</td>
<td>44.8</td>
<td>44.9</td>
</tr>
<tr>
<td>Southwest</td>
<td>41.9</td>
<td>34.6</td>
</tr>
<tr>
<td>US Airways</td>
<td>5.1</td>
<td>13.7</td>
</tr>
<tr>
<td>Memphis-Orlando (MCO/SFB)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northwest</td>
<td>60.1</td>
<td>43.9</td>
</tr>
<tr>
<td>AirTran</td>
<td>21.6</td>
<td>20.3</td>
</tr>
<tr>
<td>Frontier</td>
<td>9.8</td>
<td>12.5</td>
</tr>
<tr>
<td>Delta</td>
<td>5.7</td>
<td>11.0</td>
</tr>
<tr>
<td>Rochester, NY-South Florida (FLL/MIA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American</td>
<td>62.1</td>
<td>35.9</td>
</tr>
<tr>
<td>Southwest</td>
<td>19.0</td>
<td>31.6</td>
</tr>
<tr>
<td>Delta</td>
<td>7.4</td>
<td>26.9</td>
</tr>
<tr>
<td>Continental</td>
<td>5.8</td>
<td></td>
</tr>
</tbody>
</table>

* Showing only those airlines with at least 5% of O&D share in each year.
Global Network Carrier Share of Domestic Passengers Fell From 73% in 2000 to 53%* in 1H22
In 1H22, Ultra Low-Cost Airlines Carried 13% of Domestic Passengers

Share (%) of U.S. Domestic O&D Passengers by Airline Business Model

Source: DOT Data Bank 1B (each airline shown on a marketing-carrier basis and tracked with its respective merged/acquired predecessors [e.g., DL/NW]) via Diio by Cirium

* Allegiant/Avelo/Breeze/Frontier/Spirit/Sun Country
Lower-Cost Airlines Now Carry a Significant Share of Domestic Passengers in Largest Cities
Low-Cost, Ultra Low-Cost and Niche Carriers Have Increased Their Share Across the Country

Lower-Cost Carrier Share (%) of U.S. Domestic O&D Passengers by Metro Area*

Source: Compass Lexecon analysis of DOT Data Bank 1B
*AirTran/Alaska/Allegiant/ATA/Frontier/Hawaiian/JetBlue/Midway/National/Pro Air/Southwest/Spirit/Sun Country/Vanguard; metro areas may contain multiple airports
Domestic U.S. Passengers Have Greater Access to Lower-Cost Carriers Than Ever Before
Up From 25% in 1990 to 89% in 1H 2021

Percentage of Domestic O&D Passengers With Access to Lower-Cost Carriers*

<table>
<thead>
<tr>
<th>Year</th>
<th>Access Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>24.7</td>
</tr>
<tr>
<td>1995</td>
<td>50.0</td>
</tr>
<tr>
<td>2000</td>
<td>62.3</td>
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<tr>
<td>2005</td>
<td>78.0</td>
</tr>
<tr>
<td>2010</td>
<td>84.4</td>
</tr>
<tr>
<td>2015</td>
<td>87.1</td>
</tr>
<tr>
<td>2019</td>
<td>86.9</td>
</tr>
<tr>
<td>1H21</td>
<td>89.0</td>
</tr>
</tbody>
</table>

* Share of passengers traveling on city pairs where at least one lower cost carrier has a 5% share of O&D passengers. Lower cost carriers include Southwest, AirTran, JetBlue, Frontier, Allegiant, Spirit, Sun Country, Alaska, Virgin America, Independence Air, National, Morris Air, Accessair, Pro Air, Reno Air, Valujet, ATA, Eastwind, Vanguard, Skybus, Western Pacific, Air South, Kiwi, Midway Airlines and Hawaiian. Includes merged carriers.

Source: Compass Lexecon analysis of DOT Data Bank 1B (O&D Survey data)
Among 11 U.S. Airline Brands, Lower-Cost Carriers Have Been Growing the Fastest
Spirit Airlines Was Six Times Larger in 2022 Than in 2010

Change (%) in Systemwide Scheduled ASMs — 2010 to 2022

Source: Diio by Cirium schedules as of Nov. 11, 2022, for selected marketing airlines including merged/acquired predecessors
Lower-Cost U.S. Carriers Are Serving More and More Domestic Markets

Competitive Presence of Low-Cost and Ultra Low-Cost Carriers Continues to Expand

Number of U.S. Airports Served*

Source: Diio by Cirium schedules as of May 13, 2022, for selected marketing airlines

* July 15-21 of each year
In 2021, Inflation-Adjusted Domestic Fares/Fees Fell for the Seventh Consecutive Year
From 2010-2021, the Real Price* of Domestic Air Travel—Including Ancillaries—Fell 25%

Round-Trip Ticket Price (in $ 2021)*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Airfare/Seat Selection/Upgrades</td>
<td>420</td>
<td>440</td>
<td>446</td>
<td>449</td>
<td>458</td>
<td>442</td>
<td>414</td>
<td>401</td>
<td>391</td>
<td>390</td>
<td>319</td>
<td>315</td>
</tr>
<tr>
<td>Fees for Baggage and Reservation Changes</td>
<td>27</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>25</td>
<td>24</td>
<td>25</td>
<td>30</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: A4A analysis of DOT Data Bank 1B (all cabins and fare basis codes) and DOT Form 41 via Airline Data Inc. (airlinedata.com)
* Excludes taxes; CPI rose 4.7% in 2021
On a Trip Length-Adjusted Basis, Including Government-Imposed Taxes and Fees, 38% of Domestic Passengers Paid a Round-Trip Fare Below $300 in 2019—Up From 30% in 2010

Round-Trip 1,000-Mile Domestic Fare* Including Taxes/Fees ($2020)

- < $100: 0.7% (2010), 5.2% (2019)
- $101 to $300: 29.0% (2010), 32.7% (2019)
- $301 to $500: 30.2% (2010), 25.9% (2019)
- $501 to $800: 20.5% (2010), 18.4% (2019)
- $801 to $1000: 7.0% (2010), 6.2% (2019)
- > $1000: 12.6% (2010), 11.7% (2019)

Source: Compass Lexecon analysis of DOT Data Bank 1B (O&D Survey data) and BLS
* Excludes fares under $6 one way; distance-adjusted based on yields for trips beginning and ending in the Lower 48
In Contrast to Domestic Air Travel, Prices for Many Leisure and Hospitality Goods and Services Have Risen Much Faster Than Overall Inflation

![Change (% in Nominal Price: 2010 to 2019)](chart)


Notes: Disney World Magic Kingdom one-day/adult/regular season tickets, nonpremium National Football League game tickets, BLS Index for "Food Away From Home", BLS Index for lodging (hotels/motels/inns), nonpremium Major League Baseball game tickets, BLS U.S. Consumer Price Index (CPI-U), one adult movie ticket, and round-trip domestic fares plus ancillary (excludes taxes; includes revenue from reservation changes and baggage).
From 2010 to 2019, U.S. Passenger Airlines Added ~70,000 Jobs
From 2019 to 2021, Payrolls Shrank by ~47,000 FTEs

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

Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines
From 2010-2019, U.S. Passenger Airlines Spent $424B on the Workforce and $143B on Fleet and Other Investments While Retiring $91B in Debt and Returning $56B to Shareholders

<table>
<thead>
<tr>
<th>2010 through 2019</th>
<th>$ Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow From Operations</td>
<td>189</td>
</tr>
<tr>
<td>Employee Wages and Benefits</td>
<td>424</td>
</tr>
<tr>
<td>Fleet and Other Investments (&quot;CapEx&quot;)</td>
<td>143</td>
</tr>
<tr>
<td>Debt Retirement</td>
<td>91</td>
</tr>
<tr>
<td>Dividends</td>
<td>8</td>
</tr>
<tr>
<td>Share Repurchases</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: Bureau of Transportation Statistics (Form 41 filings), SEC filings (10-K annual reports) and A4A research
U.S. Passenger Airlines Spent $424 Billion on Salaries/Wages/Benefits in 2010 Through 2019
Average Compensation per Employee Rose Approximately $46K (57 Percent) From 2009 to 2019

Source: A4A Passenger Airline Cost Index

U.S. Passenger Airline Industry Employee Wages and Benefits

<table>
<thead>
<tr>
<th>Year</th>
<th>Total ($Bils)</th>
<th>Per FTE ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$31.0</td>
<td>80.4</td>
</tr>
<tr>
<td>2010</td>
<td>$32.3</td>
<td>85.3</td>
</tr>
<tr>
<td>2011</td>
<td>$33.3</td>
<td>86.5</td>
</tr>
<tr>
<td>2012</td>
<td>$35.6</td>
<td>92.4</td>
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<tr>
<td>2013</td>
<td>$35.8</td>
<td>94.0</td>
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<td>2014</td>
<td>$38.3</td>
<td>99.5</td>
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<tr>
<td>2015</td>
<td>$42.6</td>
<td>107.8</td>
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<td>2016</td>
<td>$46.7</td>
<td>113.6</td>
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<td>2017</td>
<td>$50.3</td>
<td>118.1</td>
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<tr>
<td>2018</td>
<td>$52.7</td>
<td>119.9</td>
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<tr>
<td>2019</td>
<td>$56.8</td>
<td>126.6</td>
</tr>
<tr>
<td>2020</td>
<td>$47.0</td>
<td>114.1</td>
</tr>
<tr>
<td>2021</td>
<td>$49.8</td>
<td>123.9</td>
</tr>
</tbody>
</table>

Source: A4A Passenger Airline Cost Index
Firmer Financial Footing Has Enabled Airlines to Re-Invest in Their Employees

U.S. Airline Employee Wages and Benefits as a Share (%) of Operating Revenues

In 2022, U.S. Airlines Are Investing ~$22B in Aircraft/Facilities/Ground Equipment/Technology
All-Time High

Capital Expenditures (Billions) for U.S. Passenger Airlines

* Includes payments made for aircraft and other flight equipment, ground and other property and equipment (e.g., vans, air stairs, lavatory trucks, deicing vehicles), airport and other facility construction and information technology

Source: SEC filings of Alaska, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit, United and merged/acquired predecessors
From 2010-2019, Following the Financial Crisis, U.S. Airlines Retired ~$91 Billion in Debt and Returned ~$56 Billion to Shareholders to Lure and Retain New Equity Investors

Source: SEC filings of AAL/ALGT/ALK/DAL/HA/JBLU/LUV/SAVE/UAL and merged predecessors

* Payments on long-term debt and capital lease obligations

Source: Airlines for America
In 2015-2019, Relative to Other U.S. Industries, Airlines Reinvested Far More Cash Into the Business (via Capital Expenditures) Than They Spent on Shareholders (“Capital Returns”)


**Dividends & Stock Repurchases**
Spending Relative (%) to Operating Cash Flow

- Airlines: 26.8%
- Industrials: 95.7%
- Rails: 67.0%
- Hotels: 78.3%
- Cruise: 25.8%
- Tech: 25.4%
- Restaurants: 31.9%
- Retail: 107.9%

**Investments in the Business (“CapEx”)**
Spending Relative (%) to Operating Cash Flow

- Airlines: 69.4%
- Industrials: 22.9%
- Rails: 58.6%
- Hotels: 54.5%
- Cruise: 78.0%
- Tech: 71.4%
- Restaurants: 23.9%
- Retail: 42.8%

Source: Goldman Sachs, "Cash Flow Benchmarking by Sector" (March 2020), with data from CapIQ and Bloomberg compiled for 2015-2019

* Industry medians for 2015-2019
Investments in Aircraft, Facilities, Ground Vehicles and IT on the Rise for U.S. Cargo Airlines

Capital Expenditures ($ Billions) for Atlas/FedEx/UPS

- 2010: $4.3 billion
- 2011: $6.2 billion
- 2012: $6.7 billion
- 2013: $6.0 billion
- 2014: $6.4 billion
- 2015: $7.0 billion
- 2016: $8.1 billion
- 2017: $10.9 billion
- 2018: $12.7 billion
- 2019: $12.2 billion
- 2020: $11.5 billion
- 2021: $10.6 billion
- 2022F: $13.6 billion

Source: SEC filings of Atlas, FedEx and UPS

* Facilities, vehicles, information technology, package handling and ground support equipment.
J.D. Power: North America Airport Satisfaction* Continues to Exceed Pre-Pandemic Levels
Latest Results Released Sept. 21, 2022

“The combination of pent-up demand for air travel, the nationwide labor shortage and steadily rising prices on everything from jet fuel to a bottle of water have created a scenario in which airports are extremely crowded and passengers are increasingly frustrated...” (Michael Taylor, J.D. Power)

Six factors (in order of importance):
- Terminal Facilities*
- Airport Arrival/Departure
- Baggage Claim
- Security Check
- Check-In / Baggage Check
- Food / Beverage / Retail

* Concourses, lounges, signage, restrooms, gate areas

* Based on 26,529 completed surveys from U.S. or Canadian residents who traveled through at least one U.S. or Canadian airport and covers both departure and arrival experiences (including connecting airports) during the preceding 30 days. Travelers evaluated either a departing or arriving airport from their round-trip experience. The study was fielded from August 2021 through July 2022.

Source: J.D. Power North America Airport Satisfaction Study℠
ACSI 2022 Airline Customer Satisfaction Index Fell One Notch From 2021 All-Time High
Ease of Check-In, Mobile Apps, Websites Rank Highest

Customer Satisfaction Index for Airlines*

Ease of check-in 81
Mobile app quality 81
Mobile app reliability 81
Website satisfaction 81
Baggage handling 80
Courtesy of flight crew 80
Ease of making reservation 80
Timeliness of arrival 80
Boarding experience 79
Courteous of gate staff 79
Loyalty program 79
Cabin and lavatory cleanliness 78
Call center satisfaction 77
Range of flight schedules 77
Overhead storage 75
Food and beverage: premium 75
Food and beverage: free 74
Inflight entertainment 74
Seat comfort 73

Note: ACSI and its logo are Registered Marks of the University of Michigan; see http://www.theacsi.org/the-american-customer-satisfaction-index
Source: American Customer Satisfaction Travel Report

* Commenced in 1994

Scale = 0-100
“Now, with volumes surging and some remnants of pandemic-era constraints still in place, passenger satisfaction is in decline—but that’s not really bad news. **If airlines can find ways to manage these growing volumes while making some small adjustments to help passengers feel more valued, they should be able to manage this return to ‘normal.’**” (Michael Taylor, J.D. Power, May 11, 2022)

Note: The study is based on responses from 7,004 passengers who flew on a major North America airline within the past month of completing a survey. The study was fielded from March 2021 through March 2022.
Denied Boardings (ex-2019) and Customer Complaints (ex-Pandemic) Trending Down
Grounding of B737 MAX Largely Responsible for Anomalous 2019 Increase in Denied Boardings

Involuntary Denied Boardings per 10K Pax*

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</thead>
<tbody>
<tr>
<td></td>
<td>1.09</td>
<td>0.82</td>
<td>0.99</td>
<td>0.92</td>
<td>0.92</td>
<td>0.76</td>
<td>0.62</td>
<td>0.40</td>
<td>0.14</td>
<td>0.24</td>
<td>0.11</td>
<td>0.17</td>
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B737 MAX
Grounded 3/13

DOT Customer Complaints per 100K Pax*

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</thead>
<tbody>
<tr>
<td></td>
<td>1.20</td>
<td>1.18</td>
<td>1.42</td>
<td>1.13</td>
<td>1.38</td>
<td>1.90</td>
<td>1.52</td>
<td>1.34</td>
<td>0.98</td>
<td>0.99</td>
<td>3.06</td>
<td>9.92</td>
<td></td>
</tr>
</tbody>
</table>

Source: DOT Air Travel Consumer Report (http://www.dot.gov/airconsumer/air-travel-consumer-reports)

* U.S. passenger airlines
Reduced Revenue Relative to Size of U.S. Economy Is Costing Airlines ~$51-77 Billion in 2022
Heightened Competition Among Carriers and Travel Modes Plus Ease of Comparison-Shopping

Source: A4A Passenger Airline Cost Index

* DOT Form 41 systemwide operating revenues on a four-quarter rolling basis
After 9/11, Domestic Passengers Avoided Air Travel on Shorter Distances; Airlines Adjusted Their Networks Accordingly, Aided by Aircraft Advances, to Increase Average Seat Distance

### Change (%) in Domestic O&D Passengers by Distance Band (Miles) — Pre-9/11* to 2019

<table>
<thead>
<tr>
<th>Trip Distance (Miles)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-250</td>
<td>(40.4)</td>
</tr>
<tr>
<td>250-500</td>
<td>1.6</td>
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<tr>
<td>500-1000</td>
<td>54.0</td>
</tr>
<tr>
<td>1000-2000</td>
<td>58.2</td>
</tr>
<tr>
<td>&gt; 2000</td>
<td>51.6</td>
</tr>
</tbody>
</table>

### Average Scheduled Domestic Seat Distance (Miles) by Marketing Airline

<table>
<thead>
<tr>
<th>Airline</th>
<th>Jul-2001</th>
<th>Jul-2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>654</td>
<td>1,210</td>
</tr>
<tr>
<td>Allegiant</td>
<td>258</td>
<td>904</td>
</tr>
<tr>
<td>American</td>
<td>873</td>
<td>1,097</td>
</tr>
<tr>
<td>Delta</td>
<td>1,148</td>
<td>1,147</td>
</tr>
<tr>
<td>Frontier</td>
<td>904</td>
<td>960</td>
</tr>
<tr>
<td>Hawaiian</td>
<td>1,606</td>
<td>970</td>
</tr>
<tr>
<td>JetBlue</td>
<td>645</td>
<td>1,278</td>
</tr>
<tr>
<td>Southwest</td>
<td>513</td>
<td>722</td>
</tr>
<tr>
<td>Spirit</td>
<td>998</td>
<td>1,018</td>
</tr>
<tr>
<td>United</td>
<td>1,262</td>
<td>1,526</td>
</tr>
</tbody>
</table>

Source: Compass Lexecon analysis of DOT Data Bank 1B (O&D Survey data) and published airline schedules via Diio by Cirium as of April 15, 2022

* Four quarters ending June 2001
Air Passenger Volumes Between New York and Boston/Washington Have Fallen Sharply Since 2000, Due Largely to Changes in Security Requirements and Improved Alternatives to Flying

Daily O&D Passengers Each Way*

Source: DOT Data Bank 1B (O&D Survey) * NYC includes EWR/JFK/LGA airports

9/11/01: Terrorist attacks, creation of TSA, new procedures for air travelers, new ticket tax.

9/26/06: TSA adopts “3-1-1” rule re: liquids/aerosols/gels.

COVID-19 pandemic

Source: DOT Data Bank 1B (O&D Survey)

* NYC includes EWR/JFK/LGA airports
U.S. Airlines Have Continued to Move More People and Goods Over Longer Distances

Source: U.S. Bureau of Transportation Statistics (T1 systemwide for U.S. airlines – all services)

Note: Recessions highlighted in gray
Changes in the Price to Fly a Mile on U.S. Airlines Tend to Move in the Same Direction as Airline Costs But Rarely to the Same Magnitude, Requiring Fuller Planes to Shrink the Gap

Index (2000=100) of Airline Fares, Costs and Load Factor

Source: A4A Passenger Airline Cost Index
In 2011-2019, Average Load Factor Exceeded the Airlines’ Breakeven Requirement

Note: Load factor = revenue passenger miles (RPMs) ÷ available seat miles (ASMs)
From 2017-2022, Medium-Sized U.S. Airports Generally Grew Faster Than Large U.S. Airports
Austin, Nashville, Charleston (SC), Burbank, Ontario (CA) and Maui Grew the Most

Change (%) in Systemwide Scheduled Seats: 2022 vs. 2017

Source: Diio by Cirium published schedules as of Nov. 11, 2022, for all airlines providing scheduled service
E-Commerce and Rapid Fulfillment Redrawing the Map for Distribution of Air Cargo
Baltimore, Cincinnati, Fort Worth Alliance, Ontario and Rockford Are Among the Biggest Winners

% Change in Outbound Cargo Payload at 25 Largest U.S. Cargo Airports, 2010-2021

Source: DOT T-100 segment data, scheduled and nonscheduled services, U.S. and non-U.S. airlines
In the Deregulated Period, U.S. Passenger Airline “Earnings” Have Been Cyclical and Volatile
Cumulative Net Income for 1979-2021 = $11.8 Billion (0.3 Percent of Revenues)

Source: A4A Passenger Airline Cost Index
As U.S. Airlines Generate Sufficient Cash from Operations, They Are Better Able to Fund Capital Improvements, Improve Customer Experience and Retain Investors

Source: SEC filings of AAL/ALGT/ALK/DAL/HA/JBLU/LUV/SAVE/SNCY/UAL/ULCC and merged predecessors

* Operating cash flow minus capital expenditures

Note: 2020 and 2021 benefited from the federal Payroll Support Program.