“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

» U.S.-international ticket sales continue to outpace domestic sales.

» Air cargo demand has subsided materially since reaching an all-time high in 2021.

» As with numerous other industries, U.S. airlines have faced inflationary pressures across several cost categories (e.g., labor, fuel, maintenance, rents, landing fees).

» U.S. passenger airlines employ the most workers since September 2001.

» In large part, airlines are using cash flow to renew fleets, upgrade IT and retire the massive debt accumulated in 2020 and 2021 to weather the pandemic.

» Debt—and interest expense—will likely remain elevated through 2024.
Airlines Are in Stage Three of the Multiyear Recovery From the Pandemic

- 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
From 2001 Through the First 9 Months of 3Q23, U.S. Airlines Posted a Razor-Thin 0.4% Margin

Analyst Consensus Calls for a ~5% Pretax Margin in 2023 Despite Cost Headwinds

U.S. Passenger Airlines’ Pretax Income (Billions) and Margin

2001-2009: (6.6%) 2010-2019: 7.1% 2020-2022: (11.0%) YTD3Q: 4.6% Cumulative: 0.4%

Source: A4A Passenger Airline Cost Index and Bureau of Transportation Statistics
In the First Half of 2023, U.S. Airline Profit Margins Were a Third of the U.S. Average
McDonald’s Profitability Has Surged, While Freight Rail Profitability Remains Twice the U.S. Average

Pre-Tax Profit Margin (%) for Selected U.S. Companies and Industries, 1H 2023

Sources: Bureau of Economic Analysis and company SEC filings
* Airlines = ALK/ALGT/AAL/DAL/ULCC/HA/JBLU/LUV/SAVE/UAL; Hotels = Choice/Hilton/Hyatt/Marriott/Wyndham; Rails = CSX/Norfolk Southern/Union Pacific
U.S. Passenger Airlines Recorded $7.7B in Pre-Tax Income in Jan-Sep 2023 — a Margin of 4.6%  
Revenues (Up 15%) Outpaced Operating Expenses (Up 11%); Net Interest Expense Cut 37%  

<table>
<thead>
<tr>
<th>Financial Results: Jan-Sep 2023</th>
<th>$ Billions</th>
<th>% Chg. YOY</th>
<th>% of Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger (RPMs +15%, yield +3%)</td>
<td>151.6</td>
<td>18</td>
<td>89.8</td>
</tr>
<tr>
<td>Cargo</td>
<td>2.9&lt;sup&gt;1&lt;/sup&gt;</td>
<td>(29)</td>
<td>1.7</td>
</tr>
<tr>
<td>Other&lt;sup&gt;1&lt;/sup&gt;</td>
<td>14.3</td>
<td>1</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>168.8</strong></td>
<td><strong>15</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>50.4</td>
<td>24</td>
<td>31.8</td>
</tr>
<tr>
<td>Aircraft fuel and taxes&lt;sup&gt;2&lt;/sup&gt; (consumption +12%, price -17%)</td>
<td>38.3</td>
<td>(7)</td>
<td>24.2</td>
</tr>
<tr>
<td>Maintenance materials and repairs</td>
<td>8.6</td>
<td>24</td>
<td>5.4</td>
</tr>
<tr>
<td>Landing fees and airport rentals</td>
<td>9.7</td>
<td>14</td>
<td>6.1</td>
</tr>
<tr>
<td>Depreciation and amortization&lt;sup&gt;2&lt;/sup&gt;</td>
<td>7.9</td>
<td>7</td>
<td>5.0</td>
</tr>
<tr>
<td>Other&lt;sup&gt;3&lt;/sup&gt;</td>
<td>43.5</td>
<td>14</td>
<td>27.5</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>158.4</strong></td>
<td><strong>11</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>Interest and other non-op expenses, net</td>
<td>2.7&lt;sup&gt;3&lt;/sup&gt;</td>
<td>(37)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Pre-tax income/(loss)</strong></td>
<td><strong>7.7</strong></td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Pre-tax margin</strong></td>
<td><strong>4.6%</strong></td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

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 Jan-Sep 2023, U.S. Airlines’ Pre-Tax Unit Costs Fell 3.3% Year Over Year
Labor CASM Up 9.2%, Fuel CASM Down 17.6%, Maintenance CASM Up 9.7%

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

<table>
<thead>
<tr>
<th>Category</th>
<th>YTD 3Q22</th>
<th>YTD 3Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>4.83</td>
<td>5.28</td>
</tr>
<tr>
<td>Fuel</td>
<td>4.87</td>
<td>4.01</td>
</tr>
<tr>
<td>Maintenance Materials &amp; Repairs</td>
<td>0.82</td>
<td>0.90</td>
</tr>
<tr>
<td>Airport Landing Fees &amp; Rents</td>
<td>1.01</td>
<td>1.02</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>0.87</td>
<td>0.82</td>
</tr>
<tr>
<td>Other Operating*</td>
<td>4.54</td>
<td>4.56</td>
</tr>
<tr>
<td>Interest (net)</td>
<td>0.50</td>
<td>0.28</td>
</tr>
</tbody>
</table>

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

* Professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regional carriers, etc.
Per Wells Fargo, the Global Economy Will Grow 2.6% in 2024
Several Major Economies Are Projected to Grow <= 1%

“We have been forecasting since June 2022 that the U.S. economy would experience a modest downturn due largely to the moonshot in inflation. However, the economy has generally remained resilient, inflation has receded significantly and the Fed is on the cusp of easing monetary policy… In our view, real GDP growth likely will remain positive, albeit sluggish, in 2024.” (Wells Fargo, Jan. 12, 2024)

Projected 2024 Real GDP Growth (%)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023F</th>
<th>2024F</th>
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<tbody>
<tr>
<td>World</td>
<td>2.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>1.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eurozone</td>
<td>0.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>0.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>1.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>1.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>1.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>2.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>1.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Wells Fargo (Jan. 12, 2024) and U.S. Bureau of Economic Analysis
After 18 Consecutive Months of Declines, Freight Rail Traffic Picked up in Sep/Oct/Nov/Dec
Represents Just One of Many Signals for the U.S. Economy

Sources: Association of American Railroads (AAR) and David J. Lynch, “Truck drivers are leaving boom-and-bust supply chain jobs,” The Washington Post (July 31, 2023)

“The freight recession is real, and it stretches across modes, across air, trucking and rail.”

— Phil Levy, chief economist, Flexport

“I don’t know that we’ve ever seen freight demand fall this far, so fast and for so long, without an accompanying economic recession.”

— David Jackson, chief executive, Knight-Swift Transportation Holdings
Broadly, U.S. Economic Activity Has Risen Steadily Since June 2023
Third Quarter of 2023 Was Especially Strong

Federal Reserve Bank Weekly Economic Index* (%) and Annual Real GDP Growth (%)


* WEI is an index of 10 daily and weekly indicators of real economic activity; MA = moving average.

U.S. Consumer Sentiment Soared in December and January to Highest Level Since July 2021
Small Business Optimism Remains Depressed But Ticked Up in December

Sources: University of Michigan, Bureau of Labor Statistics (via Federal Reserve Bank of St. Louis) and National Federation of Independent Business via NFIB Research enter
Real U.S. Consumer Spending Rose to All-Time High in November 2023
Consumers Have Been Buoyed by Lower Inflation, Not Yet Deterred by Rising Interest Rates

“Normally, a downturn in freight shipments would signal the approach of a broader downturn. But consumer spending…isn’t collapsing. It’s gradually slowing and pivoting from merchandise to services, such as insurance and air travel. In the second quarter, consumer spending on services rose three times as fast as goods purchases, according to the Commerce Department.” (Washington Post, July 31, 2023)
Share of Remote Work Has Stabilized Well Above Pre-Pandemic Level
Hybrid Workers, Who Earn the Most, Have Time and Money to Spend on Air Travel

- Fully in-person work is most common for front-line jobs that require working with equipment or interacting with customers on site.
- Hybrid schemes are most common among professionals and managers.
- Fully remote work is most common for jobs that require little interaction, such as IT support, and in the tech industry.

U.S. Seniors, Who Value Experiences Such as Travel, Constitute a Growing, Spending Force

Americans Age 65+ Accounted for ~22% of Spending in 2022 vs. ~15% in 2010

"These are the consumers that will matter over the coming year," said Susan Sterne, chief economist at Economic Analysis Associates. ‘Our large share of older consumers provides a consumption base in times like today when job growth slows, interest rates rise and student-debt loan repayments begin again.’

Seniors’ high spending propensities reflect health, wealth and perhaps lingering psychological effects of the pandemic… They have less consumer debt, minimal student debt and are more likely to own their homes outright. Many of those who have mortgages refinanced at the unprecedented low in mortgage rates after the pandemic hit. They are also less likely to need to move due to an expanding family or a new job than Gen Z and Millennials, shielding them from the impact of rising housing costs.”

Reduced Revenue Relative to Size of U.S. Economy Cost Airlines ~$26-54 Billion in 2022
Heightened Competition Among Carriers and Travel Modes Plus Ease of Comparison-Shopping

U.S. Passenger Airline Operating Revenues* as Share of U.S. Gross Domestic Product**

Source: A4A Passenger Airline Cost Index

* DOT Form 41 systemwide operating revenues on a four-quarter rolling basis ** Gray shading indicates U.S. recession exceeding one month in respective year
Relative to the U.S. Economy, Domestic Airline Capacity Is in Line With 2018-2019 Constraints Include ATC Staffing, Aircraft/Engine Delivery Delays and Regional Airline Pilot Supply

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

Sources: Bureau of Economic Analysis and S&P Global for GDP; Diio by Cirium (Jan. 5, 2024) for published schedules

* Chained 2017 dollars
TSA Checkpoint Volumes Exceeded 2019 Levels by 1.6%
4Q Was Notably Strong (November and December Comps Affected by Thanksgiving Holiday Timing)

Source: Transportation Security Administration

<table>
<thead>
<tr>
<th>Quarter</th>
<th>% vs. 2019</th>
<th>% vs. 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q23</td>
<td>(0.6)</td>
<td>21.0</td>
</tr>
<tr>
<td>2Q23</td>
<td>0.9</td>
<td>11.1</td>
</tr>
<tr>
<td>3Q23</td>
<td>2.2</td>
<td>11.3</td>
</tr>
<tr>
<td>4Q23</td>
<td>3.8</td>
<td>10.4</td>
</tr>
</tbody>
</table>

TSA Traveler Throughput* (Millions)

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

Source: Transportation Security Administration
Change in Day-of-Week Air-Travel Patterns Provides Evidence of Increased Leisure Mix
Saturday and Sunday, Known for Leisure, Are the Big Winners; Friday Remains the Busiest Day

Change (%) in TSA Checkpoint Volume: 2023 vs. 2019

<table>
<thead>
<tr>
<th>Day of Week</th>
<th>Rank</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun (2)</td>
<td>2</td>
<td>2.7</td>
</tr>
<tr>
<td>Mon (4)</td>
<td>4</td>
<td>1.0</td>
</tr>
<tr>
<td>Tue (7)</td>
<td>7</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Wed (5)</td>
<td>5</td>
<td>2.2</td>
</tr>
<tr>
<td>Thu (3)</td>
<td>3</td>
<td>1.7</td>
</tr>
<tr>
<td>Fri (1)</td>
<td>1</td>
<td>5.1</td>
</tr>
<tr>
<td>Sat (6)</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

Note: Volume = travelers only (excludes Known Crewmembers)

Source: Transportation Security Administration
In 1H 2024, Almost All Large/Medium-Hub U.S. Airports Are Seeing More Seats YOY
Three Florida Airports (Fort Myers/West Palm/Miami) and San Juan Are Among the Fastest-Growing

Change (%) in Systemwide Scheduled Seats: 1H 2024* vs. 1H 2023

Source: Diio by Cirium published schedules (Jan. 19, 2024) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

* Includes an extra day (Feb. 29)
In 1H 2024, Almost All Small-Hub U.S. Airports Are Showing More Seats YOY
Atlantic City and St. Thomas Leading Small-Hub Growth

Change (%) in Systemwide Scheduled Seats: 1H 2024* vs. 1H 2023

Source: Diio by Cirium published schedules (Jan. 19, 2024) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

* Includes an extra day (Feb. 29)

Source: Airlines for America

We Connect the World

airlines.org
Seats Available to Customers Continue to Grow Despite Fewer U.S. Flights Than in 2019
U.S. and Foreign-Flag Carriers Are Averaging ~14% Larger Aircraft Than in 2019

Change (%) vs. 2019 in Scheduled Passenger Service at U.S. Airports*

<table>
<thead>
<tr>
<th></th>
<th>4Q23</th>
<th>1Q24</th>
<th>2Q24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flights</td>
<td>(9.2)</td>
<td>(7.1)</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Seats</td>
<td>3.6</td>
<td>5.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Seats per Flight</td>
<td>14.1</td>
<td>13.7</td>
<td>13.6</td>
</tr>
</tbody>
</table>

* 1Q24 includes an extra day (Feb. 29)

Source: Cirium published schedules (Jan. 19, 2024) for all U.S. and foreign-flag airlines departing U.S. airports for all destinations
Schedules for 1H 2024 Show U.S. Airlines Producing ~3% More ASMs per Flight YOY
Rates of Growth Vary Widely by Airline

Change (%) in Systemwide Schedules for Selected Airlines: 1H 2024 vs. 1H 2023

Source: Cirium published schedules (Jan. 19, 2024) for selected marketing airlines on a consolidated basis

Note: ULCC = ultra low-cost carrier; gauge = seats/flight; stage = miles/flight; ASMs = available seat miles
Increases in Mainline Flying and Aircraft Size Have Fueled Domestic Upgauging
Mainline Now Accounts for More Than Two-Thirds of Domestic Flights, Up From Half in 2010

“For some markets, we’re gonna need to make choices as to whether we’re gonna fly a larger flight, whether we’re gonna consolidate the number of operations, but you’re never again gonna see the 50-seat aircraft have the level of prominence in the industry.” (Delta CEO Ed Bastian, Sept. 20, 2022)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mainline%</th>
<th>2010</th>
<th>2019</th>
<th>2023</th>
<th>1H24</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>49.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>58.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>68.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1H24</td>
<td>68.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Average Seats per Domestic U.S. Flight**

<table>
<thead>
<tr>
<th></th>
<th>Turboprop</th>
<th>RJ</th>
<th>Single Aisle</th>
<th>Twin Aisle</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>29</td>
<td>57</td>
<td>142</td>
<td>228</td>
<td>95</td>
</tr>
<tr>
<td>2019</td>
<td>20</td>
<td>64</td>
<td>157</td>
<td>277</td>
<td>116</td>
</tr>
<tr>
<td>1H24</td>
<td>13</td>
<td>69</td>
<td>165</td>
<td>282</td>
<td>132</td>
</tr>
</tbody>
</table>

Source: Cirium published schedules (Jan. 5, 2024)

* Mainline = operated by the marketing airline itself rather than a regional airline codeshare partner.
“Air traffic control in the United States is understaffed by about 3,000 positions, Transportation Secretary Pete Buttigieg told CNN on Friday… The…ATC workforce currently numbers about 11,500 controllers, but ‘the optimal number is closer to about 14,500,’ the secretary said. The numbers are similar to the agency’s assessment this spring that about one in five controller positions nationwide are vacant. ‘We have thousands of controllers in training right now but also a number who are eligible to retire,’ Buttigieg said.”

Source: “Buttigieg says FAA is about 3,000 air traffic controllers short,” Greg Wallace, CNN (May 5, 2023)
“FAA has made limited efforts to ensure adequate controller staffing at critical air traffic control facilities. The Agency also has yet to implement a standardized scheduling tool to optimize controller scheduling practices at these facilities... As a result, FAA continues to face staffing challenges and lacks a plan to address them, which in turn poses a risk to the continuity of air traffic operations.”

FAA Recognition of ATC Constraints Led Airlines to Pull Down NYC-Area Flying in 4Q 2023
Relative to the March 25th Schedule, December Ended Up Seeing 202 (11.3%) Fewer Flights per Day

Scheduled Daily Passenger Flights at EWR/HPN/JFK/LGA by Departure Month and Schedule Date

Source: Cirium published schedules for all U.S. and foreign-flag airlines departing EWR/HPN/JFK/LGA for all destinations
Airlines Have Upgauged Domestic Flying at All Four NYC Airports
Average Seats per Domestic Flight Up 28% From 2010 to 1H 2024 (~40% at EWR)

Source: Cirium published schedules (Jan. 19, 2024)

<table>
<thead>
<tr>
<th></th>
<th>EWR</th>
<th>HPN</th>
<th>JFK</th>
<th>LGA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>100</td>
<td>69</td>
<td>119</td>
<td>94</td>
</tr>
<tr>
<td>2019</td>
<td>121</td>
<td>73</td>
<td>133</td>
<td>108</td>
</tr>
<tr>
<td>2023</td>
<td>138</td>
<td>97</td>
<td>132</td>
<td>116</td>
</tr>
<tr>
<td>1H24</td>
<td>140</td>
<td>102</td>
<td>135</td>
<td>119</td>
</tr>
</tbody>
</table>

Scheduled Seats per Domestic U.S. Departure at NYC Airports
In December 2023, A4A Airline Passenger Volumes Fell 3% From 2019
Impacted by Timing of Thanksgiving Holiday Period, Which Fell Entirely in November This Year

Change (%) in Onboard Passengers vs. Same Month in 2019

Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners
In 2023, U.S.-International Air Travel Fell 3.5% Below 2019 Levels
U.S. Citizen Volumes Rose 10% From 2019-2023 But Non-U.S. Citizen Volumes Fell 16%

Source: U.S. Department of Commerce using DHS I-92 / APIS data and Federal Reserve Bank of St. Louis
* Outbound and inbound gateway-to-gateway passengers on U.S. and non-U.S. airlines

Nominal Advanced Foreign Economies U.S. Dollar Index
Jan 2006=100, NSA

U.S.-International Air Passengers* (Millions)
January through December

Source: U.S. Department of Commerce using DHS I-92 / APIS data and Federal Reserve Bank of St. Louis
In 2023, Several U.S.-International Markets Saw Air Travel Volumes Above 2019 Levels
U.S.-Mexico/Dominican Republic/Italy/Jamaica/Colombia/Costa Rica Saw Gains

Top U.S. Country Pairs: Change (%) in Passengers* — 2023 vs. 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
U.S.-Mexico Had the Most U.S.-International Air Passengers in 2023
London Heathrow (LHR) Had the Most Passengers of Any Foreign Gateway to/from the United States

Top U.S. Country Pairs by Passengers* (Mils)
Jan-Dec 2023

Mexico 38.8
Canada 30.3
UK 20.5
D.R. 10.5
Germany 10.5
France 10.5
Japan 9.0
S. Korea 8.6
Netherlands 6.6
Colombia 5.9
Jamaica 5.5
Italy 5.2
Spain 4.9
Brazil 4.8
Ireland 4.1

U.S. Citizens
Other

Top U.S.-Foreign Gateways by Passengers* (Mils)
Jan-Dec 2023

LHR 17.5
CUN 12.8
YYZ 12.2
CDG 8.2
MEX 7.9
FRA 6.9
ICN 6.4
AMS 6.1
YUL 5.9
GDL 4.9
PUJ 4.8
HND 4.5
SJD 4.3
MBJ 4.0

U.S. Citizens
Other

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
International Air Arrivals (Especially From Japan) to Hawaii Remained Depressed in 2023
But Domestic Air Arrivals Showed Continued Strength, With Maui Recovering Steadily

Air Passenger Arrivals* to Hawaii
Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Japan</th>
<th>Other International</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>11.4</td>
<td>8.7</td>
<td>2.6</td>
</tr>
<tr>
<td>2020</td>
<td>7.8</td>
<td>3.2</td>
<td>1.0</td>
</tr>
<tr>
<td>2021</td>
<td>9.6</td>
<td>7.6</td>
<td>1.1</td>
</tr>
<tr>
<td>2022</td>
<td>10.4</td>
<td>9.4</td>
<td>1.1</td>
</tr>
<tr>
<td>2023</td>
<td>11.0</td>
<td>9.6</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Daily Domestic Air Passenger Arrivals*
90-Day Moving Average

Source: Hawaii Department of Business, Economic Development & Tourism

* Includes returning residents, intended residents and visitors but exclude interisland and Canada passengers
Ticket Sales for International Trips Are Outpacing Sales for Domestic Trips
Sales Slowed in October But Strengthened in November

Change (%) in U.S. Domestic and International Ticket Sales* — 2023 vs. 2022

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

* Net tickets (gross sales minus refunds) for travel to/from U.S. airports.
Revenues from Reservation Change Fees Have Fallen Sharply as Carriers Relaxed Restrictions
Widespread Elimination of Change Fees Has Boosted Traveler Flexibility

U.S. Airline Revenues (in Billions USD) From Reservation Change Fees

Source: Bureau of Transportation Statistics Form 41

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2015</th>
<th>2019</th>
<th>2022</th>
<th>YTD23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$2.3</td>
<td>$3.0</td>
<td>$2.9</td>
<td>$1.0</td>
<td>$0.8</td>
</tr>
</tbody>
</table>

Note: YTD23 = January through September
The Price of Jet Fuel in 2023 Subsided From 2022 But Remained 45% Above 2019
Nationwide Spot Price Averaged $2.80 per Gallon

Argus US Jet Fuel Index™ (USD per Gallon*)
2015-2023 and 2023 by Month; Excludes Transportation, Taxes, Storage & Into-Plane Fees

Sources: Argus Media as noted at https://www.airlines.org/dataset/argus-us-jet-fuel-index/
Bureau of Labor Statistics: Real Airline Fares Fell 15.5% From 2019-2023, 9.4% From 2022-2023

In December, Inflation-Adjusted Fares Fell ~19% From 2019 and ~12% From 2022

Change (%) in Inflation-Adjusted Consumer Price Index for Airline Fares: 2023 vs. 2019 and 2022

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

Source: Airlines for America
From 2000-2023, the Number of Competitors per Domestic Air Trip Rose From 3.33 to 3.47
Global Network Carrier Share of Domestic Passengers Fell From 73% in 2000 to 52% in 2023

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Other</th>
<th>Ultra Low-Cost*</th>
<th>ALK/HA/JBLU</th>
<th>Southwest</th>
<th>AAL/DAL/UAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>18</td>
<td>4</td>
<td>5</td>
<td>25</td>
<td>73</td>
</tr>
<tr>
<td>2010</td>
<td>25</td>
<td>11</td>
<td>5</td>
<td>22</td>
<td>59</td>
</tr>
<tr>
<td>2023</td>
<td>22</td>
<td>12</td>
<td>14</td>
<td>22</td>
<td>52</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3.33</td>
</tr>
<tr>
<td>2010</td>
<td>3.39</td>
</tr>
<tr>
<td>1H23</td>
<td>3.47</td>
</tr>
</tbody>
</table>

Source: A4A and Compass Lexecon analysis of DOT O&D Survey data (DB1B)

* Allegiant/Avelo/Breeze/Frontier/Spirit/Sun Country
** Per DOT and GAO, carrying at least 5% of O&D passengers in the city pair; average is passenger-weighted across city pairs.
Per Standard & Poor’s, Balance Sheet Quality Remains Depressed Post-Pandemic

Ratings Reflect Assessment of Financial Condition and Risk

Source: Standard & Poor’s issuer ratings and outlook (in parentheses) for publicly traded U.S. and Canadian carriers in the S&P coverage universe

ALK (Neg) ALGT (Sta) AAL (Sta) DAL (Pos) HA (Dev) JBLU (Neg) LUV (Sta) SAVE (Neg) UAL (Sta) AC (Pos) WJA (Sta)

Note: Pos = positive outlook; Neg = negative outlook; Sta = stable
Airline Balance Sheets Continue to Lag Those of Many Fortune 500s and Amtrak

S&P Credit Ratings Reflect Assessment of Financial Condition and Risk for Selected Companies

**Source:** Standard & Poor’s (bold = air-only companies) as of Jan. 18, 2024

**Investment Grade**

- **AAA**
  - J&J, Microsoft

- **AA ±**
  - Google, XOM, Walmart

- **A ±**
  - Airbus, Amtrak, BP, Pepsi, Target, Toyota, UPS

**Speculative**

- **BBB ±**
  - Boeing, eBay, FedEx, Ford, GE, Marriott, McDonald’s, Southwest, Starbucks

- **BB ±**
  - Air Canada, Alaska, Avis, Delta, Hertz, United

- **< = B ±**
  - ALGT, AAL, Hawaiian, JBLU, Sabre, WestJet, Spirit

**Issuer Key**

1. Issuers with relatively high levels of creditworthiness and credit quality
2. Issuers with ability to repay but facing significant uncertainties, such as adverse business or financial circumstances that could affect credit risk
U.S. Passenger Airlines Added ~132K FTEs From the End of 2020 to November 2023
Largest Workforce Since September 2001

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. Airline FTE Productivity Down ~6% From 2019, Labor Dollar Productivity Down ~18%  
More Workers (and Labor Expense) Needed to Generate Pre-Pandemic Levels of Capacity

Trends in U.S. Passenger Airline Productivity

Source: A4A Passenger Airline Cost Index

* ASM = available seat mile (basic unit of passenger airline capacity)
U.S. Passenger Airlines Are Operating 542 More Mainline Aircraft Than at the End of 2019
But They Are Also Operating 487 Fewer Regional Aircraft

Number of Active Aircraft*

<table>
<thead>
<tr>
<th></th>
<th>12/31/2019</th>
<th>12/31/2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twin-Aisle</td>
<td>495</td>
<td>495</td>
</tr>
<tr>
<td>Single-Aisle</td>
<td>3,475</td>
<td>4,017</td>
</tr>
<tr>
<td>Large RJ (51-100)</td>
<td>1,150</td>
<td>1,084</td>
</tr>
<tr>
<td>Small RJ (&lt;=50)</td>
<td>660</td>
<td>239</td>
</tr>
</tbody>
</table>

Source: Anuvu

* Operated by or on behalf of Alaska/Allegiant/American/Avelo/Breeze/Delta/Frontier/Hawaiian/JetBlue/Southwest/Spirit/Sun Country/United in any of the previous seven days
U.S. Airlines Expecting Significant Ramp-Up in Aircraft Deliveries
Order Books Imply Intake of 10 New Aircraft per Week in 2024

Scheduled New-Aircraft Deliveries for 11 U.S. Passenger Airlines

<table>
<thead>
<tr>
<th>Year</th>
<th>Deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019A</td>
<td>240</td>
</tr>
<tr>
<td>2020A</td>
<td>161</td>
</tr>
<tr>
<td>2021A</td>
<td>261</td>
</tr>
<tr>
<td>2022A</td>
<td>296</td>
</tr>
<tr>
<td>2023F</td>
<td>367</td>
</tr>
<tr>
<td>2024F</td>
<td>523</td>
</tr>
</tbody>
</table>

Source: Alaska, Allegiant, American, Breeze, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit and United as of October 31, 2023
U.S. Airlines Are Investing Heavily in Aircraft, Ground Equipment, Facilities and Technology
Financial Recovery Is Enabling Significant Reinvestment

**Annual Capital Expenditures** *(Billions)*

<table>
<thead>
<tr>
<th>Year</th>
<th>2010-14</th>
<th>2015-19</th>
<th>2020-21</th>
<th>2022</th>
<th>2023E</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Passenger Airlines</td>
<td>$9.6</td>
<td>$18.3</td>
<td>$8.3</td>
<td>$21.8</td>
<td>$24.5</td>
</tr>
</tbody>
</table>

**Annual IT Expenditures** *(Billions)*

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Passenger Airlines</td>
<td>$5.8</td>
<td>$6.3</td>
<td>$5.0</td>
<td>$5.4</td>
<td>$6.8</td>
</tr>
</tbody>
</table>

*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.

Sources: CapEx from SEC filings of Alaska, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit, Sun Country, United and merged/acquired predecessors; IT spend from those carriers + Avelo
Air-Cargo Demand Has Subsided Since Peaking in March 2022
Air Cargo Had Taken 10 Years to Recover From the Global Financial Crisis and Subsequent Oil Spike

Annualized 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
E-Commerce and Rapid Fulfillment Have Redrawn the Air Cargo Landscape
Cincinnati, Rockford and Ontario (CA) Have Seen the Biggest Gains

% Change in Outbound Cargo Tons at 20 Largest U.S. Cargo Airports, 2010-2023*

Source: DOT T-100 segment data, scheduled and nonscheduled services, U.S. and non-U.S. airlines
* 12 months ended October 2023
U.A. Airline Passenger Volumes Are Closing in on the All-Time High Reached in 2019

Passenger Volumes Took More Than Seven Years to Recover From the Financial Crisis/Oil Spike

Four-Quarter Rolling Scheduled-Service and Charter Passengers Enplaned (Millions) on U.S. Airlines

Source: Bureau of Transportation Statistics (Form 41 Schedule T1)
U.S. Airline Passenger Volumes on Track to Reach All-Time High in 2023
Forecast Assumes Continued U.S. Job Growth and Disinflation Through 2024

U.S. Airline Scheduled-Service Passengers Enplaned (Millions)

Source: A4A and U.S. Bureau of Transportation Statistics (Form 41 Schedule T-1)

Note: F = forecast; 2024 projection assumes 3% year-over-year growth.
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